

Hearing in IL&FS fraud case begins Friday

ANWESHA GANGULY

Mumbai, June 4

THE FIRST HEARING for the IL&FS fraud case will be held in the sessions court at Mumbai on Friday, senior officials with knowledge of the matter said. The SFIO has charged several former top management of IL&FS under various sections of the Companies Act and the Indian Penal Code.

Through the financial arm of IL&FS, the top management extended loans to companies, including Parsavnath group, Siva group, ABG, which were getting stressed. In order to avoid declaring them NPAs and provisioning for them in accordance with RBI's norms, IFIN lent to group companies of these stressed borrowers to service these loans. This process was repeated multiple times until the final loan facilities were declared NPAs or written off or went unrecognised, the SFIO has said in the chargesheet.

Particularly, the loans to Siva group of companies, headed by C Sivasankaran, were given against inadequate or dubious collateral. IL&FS entered into 15 transac-

- SFIO chargesheet accuses former top management of IL&FS of financial fraud
- SFIO says 'coterie' of former senior officials flouted NBFC norms in its lending operations
- To avoid NPA provisioning, IFIN extended loans to Siva Group, Parsavnath Group, ABG, which were not servicing their debt
- Audit firms Deloitte Haskin and Sells, BSR and Associates of colluding with management

tions of advancing loans or investing in debentures of different Siva group companies between 2011 and 2014. The loans were all extended against the primary security of shares held by the group in Tata Teleservices Limited, which the RBI subsequently observed should be treated as nil, the chargesheet said.

IFIN also substantially increased lend-

ing to its group companies in the guise of funding for vendors or contractors of IL&FS Transportation Network. Lending to IFIN's group companies constituting 37% of its total loans and advances for financial year 2018, the official said.

The management did not follow capital adequacy ratio set out by the RBI for non-banking financial companies. "The company... while issuing non-convertible debentures and commercial papers, had deliberately concealed material facts pertaining to negative NOF (net owned fund) and CRAR (capital to risk-weighted assets ratio) assessed by the RBI... from time to time," the chargesheet said. The management also did not disclose the observations made by the RBI to credit ratings agencies, which resulted in misleading ratings, the official said.

The SFIO also accused audit firms, Deloitte Haskin and Sells and BSR and Associates of colluding with officials of the company to conceal facts and of "fraudulently falsifying the books of accounts and thereby financial statements from FY2013-14 to 2017-18".