

BOARD TO SEEK REFUNDS FROM LENDERS

IL&FS May File Contempt Case Against 9 Big Banks

SBI, PNB, BoB, HDFC Bank, Yes Bank among lenders that may face action for unauthorised withdrawals of about ₹800 cr

Shilpy.Sinha@timesgroup.com

Mumbai: The government-appointed board of Infrastructure Leasing & Financial Services (IL&FS) is likely to file contempt proceedings against nine large banks including State Bank of India, Bank of Baroda, HDFC Bank, Yes Bank, Punjab and Sind Bank, Punjab National Bank, Indian Bank and Indian Overseas Bank for unauthorised withdrawals of about ₹800 crore during the moratorium period, said people with knowledge of the matter. It will also seek refunds, they said.

They made “unauthorised auto-deduction from IL&FS escrow accounts,” in the last six months towards debt recovery, said one of them. These violated the protection granted to the financier and its subsidiaries by the National Company Law Appellate Tribunal (NCLAT), which restricted any lender from initiating recoveries, said the sources.

“Unauthorised deductions affected cash flow and it is also likely to affect timelines, which is detrimental to overall resolution framework being followed by

Counterpunch

At least **9 banks** face contempt action for withdrawing **₹800 cr** from IL&FS escrow accounts during moratorium period

They include SBI, BoB, HDFC Bank, Yes Bank, Punjab and Sind Bank, Punjab National Bank, Indian Bank and Indian Overseas Bank

NCLAT restricted any lender from initiating recoveries during moratorium

Next hearing on moratorium is on **July 12**

Banks' exposure at about **₹50,000 cr** out of **₹91,000 cr** IL&FS debt



the board toward speedy resolution,” said one of them.

The government appointed a new board to take charge of the company after it defaulted on repayments in September last year, sparking a liquidity crisis that hit nonbanking finance companies (NBFCs) and undermined the financial system. According to an IL&FS internal assessment, at least nine major banks made the deductions between October 2018 and April 2019.

IL&FS spokesperson Sharad Goel declined to comment. HDFC Bank, Yes Bank, State Bank of India and Bank of Baroda didn't respond to queries.

The board is likely to seek refunds and file contempt cases to recover the deductions. The projects where such deductions have been made include the Chhenani Nashri tunnel highway, where SBI is the lead bank and ₹200 crore has been withdrawn. Another ₹60 crore has been withdrawn from the escrow account for Jharkhand road projects, where Allahabad Bank is the lead bank.

Auto Debits from Escrow Accounts ►► 14

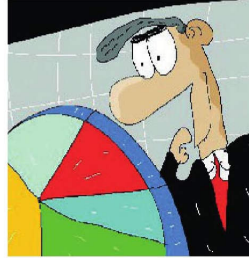
Auto Debits from Escrow Accounts

►► From Page 1

Auto debits have been made from escrow accounts tied to the Hazaribagh Ranchi Expressway, Barwa Adda Expressway, Karyavattam sports facility, East Hyderabad Expressway and Baleshwar Kharagpur Expressway.

According to estimates, SBI has withdrawn over Rs 100 crore, HDFC Bank and BoB a combined Rs 90 crore, Canara Bank, Union Bank, Allahabad Bank, Punjab and Sind Bank together over 100 crore.

The IL&FS resolution framework has categorised its group units into green, amber and red,



based on their ability to meet payment obligations over the coming 12 months. Those able to meet all payment obligations are green. Those that can only

operational payments and senior secured debt obligations are categorised amber. Those unable to meet obligations to even senior secured financial creditors are categorised as red.

IL&FS group companies have an outstanding debt in excess of Rs 91,000 crore. The NCLT Mumbai bench superseded the board of IL&FS with government nominated on October 1 last year. The Ministry of Corporate Affairs (MCA) had approached the National Company Law Appellate Tribunal (NCLAT) for a 90-day moratorium on loans taken by group companies of the debt-laden IL&FS group.