

## No action on IL&FS's babus

IL&FS thrived due to its bureaucratic cover, time to go after them

**W**ITH THE ENFORCEMENT Directorate arresting former IL&FS CEO Arun Saha and K Ramchand who was the managing director of IL&FS Transportation Network (ITNL), and the government moving to blacklist auditors Deloitte and KPMG affiliate BSR & Co, it would appear action in the IL&FS scam is gathering pace. And, under an Uday Kotak-led board, IL&FS is close to concluding its first sale, that of 874 MW of wind power assets held through a joint venture (JV). While GAIL had emerged as the largest buyer of the assets, Japan's Orix Corporation, which owned 49% of the wind assets JV, invoked its right-of-first-refusal and will match GAIL's bid; in the bargain, the debts linked to the wind assets will be taken over by Orix. Over the next few months, as more assets get sold, it will be possible to get a better estimate of the size of the hole in IL&FS's balance sheet and the haircut that various lenders of its ₹100,000-crore debt will have to take; PSU banks lent ₹35,000 crore and PSU financial institutions another ₹9,000 crore.

What is odd, however, is the near complete lack of action by the authorities on either IL&FS directors or the various government officials who worked with it and, in a sense, ensured it flourished. As IL&FS's group debt rose 87% over four years between 2014 and 2018, and its leverage rose to a frightening 13, for instance, its risk management committee that was headed by LIC's managing director, Hemant Bhargava, met just once—in July 2015—in that period; LIC owns over 25% of IL&FS. IL&FS's independent directors who were on the risk committee included Maruti Suzuki chairman RC Bhargava and former shipping secretary MP Pinto; given the high-profile nature of the IL&FS scam and its capacity to wreak havoc on India's financial system, at the very least, the government should have banned these directors from serving as independent directors on the board of companies for a certain period, and clawed back the sitting fees they earned from IL&FS. IL&FS also operated several projects in 50:50 JVs with state governments and a senior bureaucrat from the state was usually the chairman of the JV, and this is probably what helped IL&FS to structure contracts in a way that benefited it more—in the case of Noida Toll Bridge, for instance, the way the deal was structured ensured the project that was to cost ₹408 crore in the early 2000s saw its costs escalate to ₹5,000 crore a couple of years ago ([bit.ly/2Rm9IwS](http://bit.ly/2Rm9IwS)) Apart from this, a large number of bureaucrats have also been on its payroll at one time or another. Surely the role of these worthies also needs to be scrutinised and, where necessary, action be taken.