

IL&FS SCAM



Infrastructure Leasing & Financial Services (IL&FS) is an NBFC and has funded infrastructure projects across India.

SCAM

- A whistleblower complaint was received in early 2017, but no enquiry was made.
- **The scam came to light in 2018, after they :**
 - **Defaulted in repayments of bank loans (including interest), term and short-term deposits,**
 - **Defaulted in servicing some of the inter-corporate deposits accepted by it**
 - **Failed to meet commercial paper redemption obligations.**
- The funds of banks and public were used for fraudulent lending activities.
- To present a good picture of the company's financials, several impairment indicators were also overlooked.

Later, the government superseded the board of directors, as they were deemed to have failed to discharge their duties. The new Board is led by Uday Kotak.

INVESTMENT

- Serious Fraud Investigation Office (SFIO) started the investigation and former Vice-chairman, Hari Sankaran, was arrested for granting loans to entities that were not creditworthy and thereby causing loss to the company and its creditors.
- The role of the auditor also came under the scan. Deloitte was the statutory auditor between FY07 and FY17, while BSR was appointed as a joint auditor for FY18.
- The National Financial Regulatory Authority (NFRA) found Udayan Sen, the engagement partner, guilty of professional misconduct as he :
 - Failed to disclose material facts in financial statements known to him
 - Failed to report material misstatement in IL&FS accounts
 - Did not exercise due-diligence
 - Failed to obtain sufficient information necessary for expressing an opinion
 - Failed to invite attention to material departure from acceptable audit procedures.

He has been **barred from auditing for seven years and imposed a monetary penalty of ₹25 lakh. The order is effective post 31 Jul 2020.**

CURRENT STATUS

- The group's overall debt stands at around Rs 99,000 crore.
- The Board's Group resolution framework has been approved by the National Company Law Appellate Tribunal (NCLAT) on 12 March. The group also looks to set an Infrastructure Investment Trust (InvIT) for its road assets with a gross value target of Rs 13,000 crore in the December quarter.
- The Board looks to resolve 57% of the total debt, with Rs 50,500 crores to be resolved by Mar 2021