IL&FS ignored risk assessment reports while extending loans: audit

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'Firms took money from company to pay off existing loans to its subsidiary'

- A forensic audit report of IL&FS has found serious lapses in the manner in which huge loans were extended to certain entities even after internal risk assessment clearly showed that the borrowers were under financial stress.
- Further, various instances have been found wherein the committee of directors of the infrastructure financing company extended loans at a negative spread to borrowers facing liquidity issues.

Potential stress

- According to the forensic audit report prepared by Grant Thornton, the quantum of such loans is pegged at over Rs.4,300 crore.
- Among other observations, the report said the forensic audit "identified 18 instances where the Committee of Directors (CoD) ultimately approved loans to those borrowers who appeared to be in potential stress on the basis of media reports/articles in the public domain and in spite of a negative assessment by the risk team" while pegging the quantum of such loans at about Rs.2,400 crore.

Seven loans written off

- Of such instances, seven loans have either been written off or are related parties of the companies for whom loans were written off, while in five instances, the CoD ultimately approved loans even after a negative assessment by the risk team, as per the report.
- Separately, the audit found 29 instances of loans collectively worth over Rs.2,500 crore that were given to entities, whose group companies used the money to repay existing loans taken from IL&FS Financial Services, a 100% subsidiary of IL&FS and a Systemically Important Non-Deposit

Taking Non-Banking Finance Company.

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