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CBI Case Against IL&FS Subsidiary For Allegedly Defrauding 19 Banks

IL&FS Transportation Network is a subsidiary of IL&FS, which filed for bankruptcy in 2018

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The CBI has filed a case against IL&FS Transportation Network

New Delhi:

The CBI has filed a case against IL&FS Transportation Network Ltd and its directors for allegedly defrauding 19 banks of ₹ 6,524 crore between 2016 and 2018.

Some of the bank that the company allegedly cheated include Punjab National Bank, Canara Bank, Bank of India, State Bank of India, Axis Bank and Yes Bank, among others.

IL&FS Transportation Network is a subsidiary of IL&FS Ltd, which filed for bankruptcy in 2018.

"Public money of more than ₹ 6,524 crore has been misappropriated by ITL and thereby cheated all the lenders. The accused persons are white colour criminals and very well know the intricacies of the law and know to save themselves from the clutches of the law," Canara Bank said in its complaint to the Central Bureau of Investigation (CBI).

The fraud by IL&FS Transportation Network Ltd (ITNL) and its directors came to light after the National Company Law Tribunal in 2018 appointed a new board of directors that took over the parent firm IL&FS, the first information report (FIR) said.

Grant Thorton had conducted the forensic audit on IL&FS and its 348 group companies, the FIR said.

The FIR said there were potential Irregularities in reporting provisions for expenses, which may have a direct impact on reported profits. ITNL also allegedly overstated its income, which showed an incorrect financial position.

The FIR said ITNL transferred substantial funds without accounting or entering the records in the company software. Commercial papers were arranged to allow circular transactions between ITNL and other group firms.

Other issues detected included taking fake competitive quotes from sub-contractors and recording fake expenses on buying 459 tonnes of steel from a vendor registered as a trader of tyres.

Banks saw highest number of frauds in digital payments in FY23: RBI

In FY2023, the total number of fraud cases in the banking system were 13,530. Of this almost 49 per cent or 6,659 cases were in the digital payment – card / internet – category.

By: ENS Economic Bureau
Mumbai | May 31, 2023

There was a 49 per cent reduction in the amount involved in the total frauds reported during FY2023 over FY2022.

Banks have witnessed maximum number of frauds in digital payment category during the fiscal ended 2023-24, according to the RBI annual report 2022-23.

In FY2023, the total number of fraud cases in the banking system were 13,530. Of this almost 49 per cent or 6,659 cases were in the digital payment – card/internet – category.

In the last two years, the highest number of fraud cases were in loan portfolios of banks.

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In terms of value, banks reported frauds primarily (Rs 28,792 crore) in the advances category in the previous fiscal. The total amount of fraud in the digital payment category stood at Rs 276 crore in FY23.

An assessment of bank group-wise fraud cases over the last three years showed that while private sector banks reported maximum number of frauds, public sector banks continued to contribute maximum to the fraud amount during 2022-23.

“While small value card/internet frauds contributed maximum to the number of frauds reported by the private sector banks, the frauds in public sector banks were mainly in loan portfolios,” the report said.

An analysis of the vintage of frauds reported during 2021-22 and 2022-23 shows a significant time-lag between the date of occurrence of a fraud and its detection.

The amount involved in frauds that occurred in previous financial years formed 93.7 per cent of the frauds reported in 2021-22 in terms of value. Similarly, 94.5 per cent of the frauds reported in 2022-23 by value occurred in previous financial years.

In order to improve data reliability in Fraud Monitoring Returns (FMR) submitted by banks, the RBI advised lenders to carry out proper due diligence and ascertain the involvement (with credible proof/ evidence) before including or adding names of the non-whole time director in the FMR/ CRILC (Central Repository of Information on Large Credits) while reporting fraud /noncooperative borrower.

Banks shine brightest in otherwise pale FY23 for India Inc

By Krishna Kant

June 02, 2023 ,**Get Rediff News**

The banking sector emerged as an outlier when the rest of India Inc witnessed a slowdown in earnings in FY23.

The combined net profit of listed public and private sector banks was up 39.4 per cent year-on-year (YoY) last financial year and their share in India's gross value added (GVA) or gross domestic product (GDP) at factor cost rose to a record high of nearly 1 per cent up, from 0.8 per cent a year ago.

Listed banks' combined net profit grew to Rs 2.36 trillion in FY23, from Rs 1.69 trillion a year ago. In comparison, India GVA at current prices was up 15.2 per cent YoY at Rs 247 trillion in FY23; it was around Rs 214 trillion a year ago.

GVA is the value of all goods & services produced in an economy, excluding subsidies and indirect taxes such as goods & services tax (GST) that distort market prices of goods & services.

Total indirect taxes net of subsidies was up 22.9 per cent YoY in FY23, resulting in much faster growth in GDP at market price than the production of goods & services in the economy.

The sharp rise in banks' earnings in 2022-23 was driven by an equally faster growth in banks interest income.

The combined gross interest income of banks in our sample was up 22.1 per cent YoY to Rs 14.1 trillion in FY23, up from Rs 11.55 trillion a year ago.

As a result, banks interest income was equivalent to 5.7 per cent of the country's GVA in FY23 -- the highest in the past seven years with the exception of FY21, when GVA at current prices had declined by 1 per cent due to the Covid-19 pandemic and the nationwide lockdown enforced to stem its spread.

Banks gained from high double-digit growth in banks credit, especially personal loans, and the rise in lending rates last year. The latter allowed banks to charge more interest on loans, boosting their interest income and earnings.

Banks' bottom-line was also boosted by a double-digit decline in their provisions and contingencies for non-performing assets (NPA).

The banks combined provisions for NPA were down 18.2 per cent YoY to 1.37 trillion in FY23, the lowest since FY15.

Provisions and contingencies accounted for just 7.6 per cent of banks gross interest income in FY23, down from 11.1 per cent a year ago; it is the lowest since FY13.

In contrast, companies operating in the non-banking and financial space reported a sharp slowdown in their revenues and profit growth in FY23 from the highs of FY22.

The combined net profit of all 1,203 listed companies that have declared their results for Q4FY23 was up just 7.4 per cent in FY23, a sharp decline from 45.1 per cent YoY growth in FY22.

And the combined earnings of these listed companies (ex-banks) were down 0.9 per cent YoY in FY23, against 41.8 per cent YoY growth in their combined earnings in FY22.

The decline in earnings is even sharper when banks, non-banking financial companies, insurers, and stock broking firms are from the sample.

The combined net profit of listed companies ex-BFSI was down 4.6 per cent YoY in FY23, against 43.7 per cent YoY growth in FY22.

Most analysts expect banks' earnings to continue to grow faster than the rest of India Inc in FY24, the growth may be slower than that in FY23.

"The operating environment of Indian Banks is likely to stay healthy for FY24E, which may translate into stable return on assets (RoA) despite moderation in credit growth and margin compression.

"The core earning of a bank is largely a function of advances, net interest margins (NIM), operating expenses, and credit cost," wrote Ajit Kumar Kabi of LKP Securities in his recent report on banks' earnings.

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