# ANNEXURES

**Annexure-1 (Para 3.2)**

**Details of deviations from norms in cases sanctioned during 2012-13 to 2015-16**

| Sl. No. | Category of deviations | Nature of deviations | Cases where the deviation was noticed |
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| 1. | Deviation from criteria relating to financial ratios (Profitability ratios, liquidity ratios, leverage ratios, coverage ratios) | 1.1. Profitability ratios (GP, Gross Margin, Net Profit, Operating Ratios) | 1. Country Colonizers Limited<br>2. Forum Projects Private Limited |
| | | 1.2 Liquidity ratios (Current ratio), | 3. Adhunik Metaliks Ltd.<br>4. Alok Industries Limited<br>5. Amtek Auto Ltd.<br>6. Bhushan Steel Limited<br>7. Binani Cements Limited<br>8. Country Colonizers Limited<br>9. Exact Developers & Promoters Pvt. Ltd.<br>10. Genuine Asset Operators Pvt. Ltd.<br>11. Jain Irrigation Systems Limited<br>12. Jindal Rail Infrastructure Limited<br>13. JP Iscon Limited<br>14. Jubilant Lifesciences Limited<br>15. MEP Infrastructure developers Limited<br>16. Palava Dwellers Private Limited.<br>17. Punj Lloyd Limited<br>18. Rainbow Papers Limited<br>19. Reddy Structures Private Limited<br>20. RSB Transmissions (I) Limited<br>21. Sree Rayalaseema Alkalies & Allied Chemicals Ltd<br>22. The India Cements Ltd. (15-16)<br>23. Tilaknagar Industries Limited<br>24. Uttam Galva Metallics Limited<br>25. Vishvaraj Infrastructure Limited |
| | | 1.3 High Leverage ratio (Debt Equity ratio, Total outside liabilities TOL/ Tangible net worth (TNW)) | 26. Alok Industries Limited<br>27. Bhushan Steel Limited<br>28. Binani Cements Limited<br>29. Evergrowing Iron & Finvest Limited<br>30. Exact Developers &Promoters Pvt. Ltd.<br>31. Future Brands Limited(DER)<br>32. Future Brands Limited(TOL/TNW)<br>33. Genuine Asset Operators Pvt. Ltd.<br>34. Jai Prakash Associates<br>35. JP Iscon Limited<br>36. KSK Energy Ventures Limited<br>37. Liz Investment Pvt Ltd.(14-15)<br>38. Liz Investment Pvt. Ltd. (15-16)<br>39. MEP Infrastructure developers Limited<br>40. Omkar Realtors and Developers Pvt. Ltd.<br>41. Parinee Reality Private Limited (DER)<br>42. Parinee Reality Private Ltd (TOL/TNW)<br>43. Puranik Builders Private Limited<br>44. Raheja Developers Limited<br>45. Shree Naman Healthcare Pvt. Ltd.<br>46. Walchandnagar Industries Ltd. |

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| | | 1.4 Coverage Ratios (Debt Service Coverage Ratio (DSCR), Fixed Assets Coverage Ratio (FACR)) | 47. Adhunik Metaliks Ltd.<br>48. Alok Industries Limited<br>49. Amtek Auto Ltd.<br>50. Bhushan Steel Limited<br>51. Binani Cements Limited<br>52. Evergrowing Iron & Finvest Limited<br>53. Genuine Asset Operators Private (FACR)<br>54. Genuine Asset Operators Pvt. Ltd.(DSCR)<br>55. Gran Electronics Private Limited<br>56. Jai Prakash Associates (DSCR)<br>57. Jai Prakash Associates (FACR)<br>58. Jubilant Lifesciences Limited (DSCR)<br>59. Jubilant Lifesciences Limited (FACR)<br>60. Manglam Build-Developers Limited<br>61. Monnet Ispat and Energy Limited (DSCR)<br>62. Monnet Ispat and Energy Limited (FACR)<br>63. REI Agro Limited<br>64. Simhapuri Energy Limited<br>65. The India Cements Ltd.15-16<br>66. Uttam Galva Metallics Limited<br>67. Walchandnagar Industries Ltd. |
| 2. | Deviation from criteria relating to credit rating, minimum net-worth and previous years profitability | 2.1 Lower / no credit rating | 1. Adhunik Metaliks Ltd.<br>2. Country colonizers Limited<br>3. Exact Developers &Promoters Pvt. Ltd.<br>4. Forum Projects Private Limited<br>5. Gran Electronics Private Limited<br>6. Jindal Rail Infrastructure Limited<br>7. Litchica Products Private Limited<br>8. Reliance infrastructure Limited<br>9. Alok Industries Limited<br>10. Amtek Auto Ltd.<br>11. Coastal Energen Private Ltd.<br>12. Evergrowing Iron & Finvest Limited<br>13. Luxora Infrastructure Private Limited<br>14. Parinee Reality Private Limited<br>15. Rainbow Papers Limited |
| | | 2.2Minimum Net worth of the borrower | 16. Evergrowing Iron & Finvest Limited<br>17. Exact Developers &Promoters Pvt. Ltd.<br>18. Genuine Asset Operators Private Limited<br>19. Gran Electronics Private Limited<br>20. Litchica Products Private Limited |
| | | 2.3 Profitability of the borrower in the previous three years. | 21. Adhunik Metaliks Ltd.<br>22. Binani Cements Limited<br>23. Exact Developers &Promoters<br>24. Genuine Asset Operators private Limited<br>25. Gran Electronics Private Limited<br>26. Jindal Rail Infrastructure Limited<br>27. Jubilant Lifesciences Limited<br>28. Litchica Products Private Limited<br>29. Luxora Infrastructure Private Limited,<br>30. Vishvaraj Infrastructure Limited<br>31. Walchandnagar Industries Ltd. |

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| 3. | Relaxation to the minimum security cover, nature of security and its valuation. | 3.1Minimum Security Cover | 1. Alok Industries Limited<br>2. Ansal Housing &Construction Ltd<br>3. EMC Ltd.<br>4. Evergrowing Iron & Finvest Limited<br>5. Exact Developers &Promoters<br>6. Gera Developments Pvt. LTD.<br>7. Gran Electronics Private Limited<br>8. Jindal Rail Infrastructure Limited<br>9. Jubilant Lifesciences Limited<br>10. Litchica Products Private Limited<br>11. Mandava Holdings Private Limited<br>12. Manglam Build-Developers Limited<br>13. Monnet Ispat and Energy Limited<br>14. Palava Dwellers Private Limited<br>15. Punj Lloyd Limited<br>16. Rainbow Papers Limited<br>17. Reliance Communications Limited<br>18. Reliance infrastructure Limited (14-15)<br>19. Reliance Infrastructure Limited (15-16)<br>20. RSB Transmissions (I) Limited<br>21. Sobha Developers Limited<br>22. The India Cements Ltd. 14-15<br>23. The India Cements Ltd.15-16<br>24. Vishvaraj Infrastructure Limited<br>25. Walchandnagar Industries Ltd. |
| | | 3.2 Over Valuation of security (Assets ) | 26. Gran Electronics Private Limited<br>27. Jindal Rail Infrastructure Limited<br>28. Manglam Build-Developers Limited<br>29. Puranik Builders Private Limited<br>30. RSB Transmissions (I) Limited<br>31. Simhapuri Energy Limited<br>32. Walchandnagar Industries Ltd. |
| | | 3.3 Nature of security / unenforceable security (agricultural land, SEZ, BOT etc) | 33. DA Toll Ltd.<br>34. KSK Energy Ventures Limited<br>35. Mandava Holdings Private Limited<br>36. MEP Infrastructure developers Limited<br>37. Reliance infrastructure Limited<br>38. Vishvaraj Infrastructure Limited |
| 4. | Deviation from other stipulated conditions as per sanctioned terms (lending against shares, non-receipt of upfront fees etc.) | 4.1 Lending against share not to exceeds ₹ 25 crore | 1. Evergrowing Iron & Finvest Limited<br>2. Liz Investment Pvt. Ltd. (14-15)<br>3. Liz Investment Pvt. Ltd. (15-16) |
| | | 4.2 Non receipt of upfront fees / legal fees and other charges, liquidity damages. | 4. Evergrowing Iron & Finvest Limited<br>5. Future Brands Limited<br>6. Puranik Builders Private Limited<br>7. Reliance infrastructure Limited(14-15)<br>8. Reliance infrastructure Limited(15-16)<br>9. Trimax IT Infrastructure Limited<br>10. Walchandnagar Industries Ltd. |

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| | | 4.3 Increase in Loan tenure | 11. Amtek Auto Limited<br>12. DLF Limited<br>13. EMC Ltd.<br>14. Jaypee Infratech Limited<br>15. Jindal Rail Infrastructure Limited<br>16. Simhapuri Energy Limited |
| | | 4.4 Promoters pledged shares in excess of restriction | 17. KSK Energy Ventures Limited |
| 5. | Sanction to wilful defaulters | 5.1 Promoter in list of wilful defaulters | 1. Mantri Developers Private Limited |
| | | 5.2 Directors in list of wilful defaulters | 2. Jubilant Life Sciences Limited[1]<br>3. Sew Infrastructure Limited |

***List of deviations from the norms in sanction of major cases is given in Annexure-1A.***

[1] The loan has been prepaid (October 2015/October 2016).

**Annexure-1A (Para 3.2)**

**Illustrative list of deviations from the norms prescribed in the General Lending Policy**

**A Deviations from criteria relating to financial Ratios**

| Sl. No. | Name and year of sanction | Financial Ratio | Stipulated Terms | Deviation from stipulated terms |
|---|---|---|---|---|
| 1. | Future Brands Limited (2015-16) | TOL/TNW (leverage ratio) | 4:1 | (-3.21) Negative net worth |
| 2. | Parinee Realty Private Limited (2015-16) | TOL/TNW (leverage ratios) | 4:1 | 27.46:1 |
| 3. | Walchandnagar Industries Limited (2015-16) | TOL/TNW (leverage ratio) | 3.5 | 5.11 |
| 4. | Raheja Developers Limited (2015-16) | TOL/TNW (leverage ratios) | 4:1 | 4.33:1 |
| 5. | Manglam Build-Developers Limited (2014-15) | Minimum DSCR (Leverage) | 1.5 | 0.74 |
| 6. | Amtek Auto Limited (2015-16) | Minimum DSCR (leverage) | 1 | 0.74 |
| 7. | Genuine Asset Operators Private Limited (2014-15) | CR(liquidity) | 1.2 | Nil |
| 8. | Exact Developers & Promoters Private Limited (2015-16) | CR(liquidity) | 1.2 | 0.04 |
| 9. | Country Colonisers Private Limited (2012-13) | Current Ratio (liquidity ratio) | 1.33 | 0.26 |
| 10. | Sree Rayalseema Alkalies (15-16) | CR(Liquidity ) | 1 | 0.59 |
| 11. | The India Cements Limtd (2015-16) | CR(Liquidity ) | 1.33 | 0.69 |
| 12. | Amtek Auto Limited (2015-16) | CR(liquidity) | 1.33 | 0.80 |
| 13. | Adhunik Metaliks Ltd (2013-14) | CR(Liquidity ) | 1.33 | 0.84 |
| 14. | Uttam Galva Metaliks Limited (2014-15) | CR(Liquidity) | 1.3 | 0.94 |
| 15. | Parinee Realty Pvt. Ltd (2015-16) | DER (leverage ratio) | 1.6:1 (Standalone) 3.5:1 (consolidated) | 19.71:1<br><br>3.66:1 |
| 16. | Liz Investments Pvt. Ltd CL-III (2015-16) | DER (leverage ratios) | 2:1 | 14.13:1 |
| 17. | Liz Investments Pvt. Ltd CL-II (2014-15) | DER (leverage ratios) | 2:1 | 8.09:1 |
| 18. | MEP Infrastructure Developers Limited (2015-16) | DER (consolidated) | 3.5:1 | Negative Net worth |
| 19. | Omkar Realtors and Developers Private Limited(2013-14) | DER (leverage) | 1.5 | 4.2 |
| 20. | Puranik Builders Pvt. Ltd (2015-16) | DER (leverage ratio) | 1.6 | 2.15 |
| 21. | KSK Energy Ventures Limited (2015-16) | DER (leverage ratio) | 3:1 | 4.44:1 |
| 22. | Evergrowing Iron & Finvest Limited(2013-14) | DER (leverage ratios) | 1.5:1 | 2:1 |
| 23. | Future Brands Ltd (2015-16) | DER (leverage) | 1:1 | 1.4:1 |

**B. Deviations from criteria relating to credit rating, net-worth and profits in previous years.**

| Sl. No. | Name and year of sanction | Financial criteria | Stipulated Terms | Deviation from stipulated terms | Remarks |
|---|---|---|---|---|---|
| 1. | Parinee Realty Pvt. Ltd (2015-16) | Credit rating | Minimum BBB- | No credit rating | Time given to submit the same after sanction |
| 2. | Luxora Infrastructure Pvt. Ltd. (2014-15) | Credit rating | BBB- | No external rating | IFCI rating was 7 which is below Invest. Grade) |
| 3. | Amtek Auto Ltd. (2015-16) | Credit rating | BBB- | No external rating | |
| 4. | Exact Developers and Promoters Pvt. Ltd. (2015-16) | Credit rating | BBB- | No external rating | |
| 5. | Nirmal Lifestyle (2013-14) | Credit rating | BBB | Rating suspended (September 2012) before sanction | |
| 6. | Jindal Rail Infrastructure Limited (2015-16) | Credit rating | BBB+ to BBB- To renew rating within 3 months of expiring | BBB- Rating expired on 11 August 15 no renewal seen on records at sanction date | |
| 7. | Hydric Farm Inputs Ltd (2015-16) | Credit rating | BBB- | BB | |
| 8. | Genuine Asset Operators Pvt. Ltd. (2014-15) | Minimum Net worth of borrower | 50 crore | 1 lakh | Low credit worthiness of borrower shortage of Net worth by 99.9% |
| 9. | Litchica Products Private Limited (2015-16) | Minimum Net worth | ₹ 50 crore | ₹ 0.11 crore | |
| 10. | Exact Developers and Promoters Pvt. Ltd. (2015-16) | Net worth | 100 | 69.05 | Shortage of Net worth by 31% |
| 11. | Evergrowing Iron & Finvest Limited (2013-14) | Minimum net worth | ₹ 100 crore | ₹ 79 crore | Net worth shortage by 21% |
| 12. | Genuine Asst Operators Pvt. Ltd. (2014-15) | Profitability | 2 out of 3 years | Newly formed company. No profits. | |

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| 13. | Jindal Rail Infrastructure Limited(2015-16) | Profitability | To be profitable in 2 of last 3 years | Incurred losses in last 3 years | Ineligible borrower |
| 14. | Luxora Infrastructure Pvt. Ltd. (2014-15) | Profitability | Profitable in 2 out of 3 years | Losses in all the 3 years. | |
| 15. | Walchandnagar Industries Ltd.(2015-16) | Profitability | To be profitable in 2 of 3 years | Losses in last 2 years | Ineligible borrower |
| 16. | Exact Developers & Promoters Pvt. Ltd.(15-16) | Profitability | Profitable in 2 out of 3 years | Losses in last 2 years | |
| 17. | Litchica Products Private Limited (2015-16) | Profitability | Profitable in 2 out of last 3 years | Losses in last 2 years | |
| 18. | Country Colonisers Private Limited (2012-13) | Profitability | To be profitable in last 3 years prior to sanction | Not complied | |

**C Deviations from criteria relating to security consideration**

| Sl. No. | Name and year of sanction | Stipulated Security Conditions | Deviation from stipulated terms | Remarks |
|---|---|---|---|---|
| 1. | Reliance Communications Limited(2013-14) | Minimum Security Cover | 1.26 (Tangible) | 0.79 (Tangible) |
| 2. | The India Cements Ltd. (2014-15) | Minimum Security Cover | 2 times | 1.25 times |
| 3. | Sobha Developers Limited (2013-14) | Minimum Security Cover | 2 times (Tangible) | 1.25 times tangible |
| 4. | EMC Ltd.(2014-15) | Minimum Security Cover | 2 times | 1.5 Times |
| 5. | Jindal Rail Infra Ltd. (2015-16) | Minimum security cover to be 2 times first charge over fixed assets | 1.25 | Lesser security accepted than stipulated. |
| 6. | MEP Infrastructure Developers Ltd. (2015-16) | Enforceable security | Security was pari passu charge on leased land for BOT project | Enforceability of BOT land was doubtful |
| 7. | KSK Energy Ventures Ltd. (2015-16) | Nature of security enforceability | Accepted agricultural land on conditional grounds. | Hence enforceability is difficult. |
| 8. | DA Toll Road Private Limited(2014-15) | Charge over project assets | Charge over project cash flows | Deviation involved unenforceable security |
| 9. | Jindal Rail Infrastructure Ltd(2015-16) | Valuation as per Book Value of assets | Valuation based on distressed sale value of land | Deviation resulted in over valuation of security. |
| 10. | RSB Transmissions (I) Ltd. (2015-16) | Valuation as per book value | Valuation was done at Distress Sale Value | Resulted in over valuation of security |

**D Deviations from criteria relating to other stipulated conditions**

| Sl. No. | Name and year of sanction | Criteria | Stipulated Terms | Deviation from stipulated terms | Remarks |
|---|---|---|---|---|---|
| 1. | Liz Investment Pvt. Ltd CL-III(2015-16) | Lending against security of shares | Maximum of loan of ₹ 25 crore | Loans sanctioned ₹ 70 crore | Excess loan of ₹ 45 crore sanctioned in violation of terms. |
| 2. | Liz Investments Pvt. Ltd. CL-II(2014-15) | Lending against security of shares | Maximum upto ₹ 25 crore loan | ₹ 50 crore | Excess loan of ₹ 25 crore sanctioned. |
| 3. | Goyal MG Gases Private Limited (2015-16) | Prepayment premium | 2% (anytime) | 0.50% after moratorium | Undue benefit of 1.5% given to borrower |
| 4. | Puranik Builders (2015-16) | Prepayment premium | 2% at all times | Made into 0% after 1 year of sanction | Undue benefit to borrower |
| 5. | The India Cements Ltd. (2015-16) | Prepayment premium | 2% | 1% | Reduced by 1% |
| 6. | Jindal Rail Infra (2015-16) 2 loans | Loan Tenure | 6 years | 10 years | 4 years increase in tenure caused assumption of greater risk |
| 7. | Amtek Auto Ltd. (2015-160 | Loan Tenure | 6 years | 10 years | 4 years increase in tenure caused assumption of greater risk |
| 8. | Jaypee Infratech Limited(2014-15) | Loan Tenure | Max. 6 years including moratorium of 2 years (norms shown as 8 instead of 6 in sanction note) | 10 years including moratorium of 3 years. | |

## Annexure-2 (para 6.3.2)

**10 NPA cases with common observations**

| Sl. No. | Name of the borrower | Date & Amount of sanction (₹ in crore) | Total Dues (Principal& Interest) as on 31 March 2016 (₹ in crore) | Audit observations | Management's reply and rebuttal |
|---|---|---|---|---|---|
| 1 | *IVRCL Indore Gujarat Toll Ltd and IVRCL Chengapalli Toll Limited* | Sept 2010 (₹ 250* crore)<br><br>*₹ 125 crore to both IIGTL and ICTL in the form of CCDs | ₹ 249.99 crore (Principal) | • The facility was sanctioned in violation of eligibility criteria as the promoter company incurred loss in 2010 (the year prior to sanction).<br>• The promoter company had negative net cash flows (projected financials) for three years until 2015, when CCDs were due for buyback<br>• CCDs were sanctioned despite the investment being categorized as high revenue risk by CRMD.<br>• There was improper disbursement to ICTL of ₹ 23.37 crore despite default and (between Jan to Sept 2014) despite its promoter company's referral to CDR (January 2014) with debts of ₹ 7000 crore being restructured. | The Management replied that the buyback agreements protected IFCI. Further, the buyout of CCDs was not envisaged from cash flows of the borrowers. Disbursements were made on request of the borrowers in view of short term tightness in liquidity.<br>Replies are not justified as the call or put option were only an undertaking to buyback and promoters' capability was also not established as eligibility condition were violated.<br>This has resulted in doubtful recovery of ₹ 249.99 crore as on March 2016 and a loss of ₹ 27.17 crore on restructuring. |
| 2 | *SVOGL Oil & Gas Energy Limited* | May 2010 (₹ 135 crore) | ₹ 185.42 crore (₹ 114.77 + 70.65) | • The loan was sanctioned to a highly indebted borrower having long term liabilities of ₹ 1687 crore as on 31 March 2010. This was pointed out by CRMD also.<br>• The loan was sanctioned in deviation from eligibility criteria with higher DE ratio, lower FACR. | The Management replied (November 2016) that DER, which was 1.77:1 was expected to improve further.<br>Reply is not tenable as DER of the borrower deteriorated drastically after sanction of the loan (from 1.77 in 2010 to 5.79 in 2014 and 82.97 in 2015). |

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| | | | | With its net-worth of only ₹ 37 crore (March 2015) and negative cash accruals since March 2014, the chances of recovery of outstanding dues of ₹ 185.42 crore are bleak more so in the absence of any exclusive security. | |
| 3 | *Rainbow Papers Limited* | Nov 2013 (₹ 100 crore) | ₹ 110.08 crore (₹ 100 crore + ₹ 10.08 crore) | • The loan was sanctioned despite borrower's downgraded ratings (July 2013) to CRISIL BBB- with a negative outlook prior to sanction.<br>• The loan was extended with one time cover in deviation from the norm of two times security as per GLP as by then tangible security was not created.<br>• Despite default in interest (August 2014) and sale of pledged shares of ₹ 64.30 lakh (December 2014) to recover its outstanding dues the third disbursement of ₹ 20 crore (March 2015) was released.<br>• There was passive recovery from the sale of pledged shares as with each successive delay in sale, the share price declined from ₹ 80.35 to ₹ 54.10 (Sept. 2014, Aug. 2015) which was not in the best interest of the Company. | The Management accepted that the borrower was facing short-term liquidity crunch prior to sanction. The facility disbursed may not be treated as lending Against Shares (LAS) as subservient charge on the moveable assets existed. There was no default of interest at the time of last disbursement of ₹ 20 crore.<br>The replies are untenable as critical financial condition of the borrower at the time of sanction was corroborated by the downgraded credit rating with negative outlook and non-mitigation of the assessed financial risks. Besides, when disbursement was made, the Company had no other tangible security and thus the loan was to be treated as LAS. The third disbursement was released despite borrower's previous defaults (August 2014) which were recovered (December 2014) through sale of pledged shares.<br>Thus, poor credit appraisal has resulted in doubtful recovery of ₹ 110.08 crore. |

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| 4 | *Orchid Chemicals & Pharmaceuticals Limited* | March 2011 (₹ 150 crore) | ₹ 117.68 crore (₹ 91.99 crore + ₹ 25.69 crore) | Loan was sanctioned despite the fact that:<br>• Borrower had incurred operating loss of ₹ 565 crore in 2009-10 and had earned profit only because of other income.<br>• Interest burden had increased from ₹ 81 crore (2008) to ₹ 241 crore (2010) and profitability had declined from 28 *per cent* in 2008 to 14 *per cent* (negative) of sales in 2010. | The Management replied (November 2016) that the operating loss was due to some exceptional factors which was considered in the sanction note.<br>Reply is not tenable as the leading indicators of NPA viz. financial health, interest burden, profitability etc. were ignored. |
| 5 | *Vivimed Labs Limited* | Sept 2013 (₹ 100 crore) | ₹ 75 crore (Principal amount) | • IFCI had failed to analyze the effect of steep rise[2] in VLL's long-term obligations, increased interest burden[3] coupled with stressed profitability margins[4] before sanction.<br>• IFCI initiated legal action for recovery of dues as late as in December 2015 despite early indicators (January 2014) of stressed debt service capacity on account of high repayment obligation and the fact that final security had not been created. | The Management replied (November 2016) that while revoking recall notice (January 2016) after clearance of over dues, VLL was instructed to adhere to the repayment schedule and clear dues timely. It further stated that VLL will clear the default from sale proceeds of one of its units.<br>Reply is not tenable as VLL again failed to adhere to the repayment schedule despite revocation of recall notice by IFCI leading to default of ₹ 9.64 crore (October 2016). |
| 6 | *Neesa Leisure Limited* | Feb/ March 2010 (₹ 30 crore/ ₹ 15 crore Short Term Loans (STL))<br>July 2010 | ₹ 134.51 crore (₹ 56 crore + ₹ 78.51 crore) | • Audit observed that the eligibility criteria as per the General Lending Policy of DSCR, Current ratio and requirement of minimum borrower's net-worth were deviated at sanction time.<br>• The securities for term loans as well as for the conversion of the term loans of Rs.26 crore into Compulsorily Convertible Preference Shares (CCPS) in August 2010 were also not | The Management, while accepting diversion of loan amounts, stated (June/November 2016) that being short-term loans, DSCR was not calculated. Conversion of loan to CCPS was accepted due to attractive return of 20 *per cent*.<br>Replies are not tenable as IFCI failed to analyze the DSCR of the borrower as subsequently the buyback default was due to poor repaying |

[2] from ₹ 131.90 crore in 2011 to ₹ 431.02 crore in 2013.
[3] (from ₹ 22.10 crore in 2011 to ₹ 40.93 crore in 2013).
[4] EBITDA, PAT margins fell from 21.05 *per cent* and 11.74 *per cent* (2010-11) to 17.83 *per cent* and 7.54 *per cent* (2012-13).

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| | | (₹ 11 crore Long Term Loan(LTL)) | | fully created.<br>• IFCI converted the loan into Preference shares (August 2010) by changing the nature of loan from debt to equity without any tangible security.<br>• NLL failed to comply with the terms of CDR due to diversion of funds as it utilized the money in repayment of part dues to some lenders and balance amount was used to refurnish certain hotel properties | capacity.<br>The borrower's repayment capacity to pay the attractive return of 20 *per cent p.a.* as in FY 2010 was not properly analyzed as PAT was a meager ₹ 12 crore, with poor gross cash accruals of ₹ 26 crore.<br>IFCI assumed unnecessary risk[5] without creation of adequate enforceable security.<br>Thus, the chances of recovery ₹ 56.81 as debts and of ₹ 77.70 crore (CCPS) were bleak. |
| 7 | *Jai Balaji Industries Limited* | February 2011 and August 2011 (₹ 100 crore and ₹ 60 crore) | ₹ 23.24 crore | • There was deviation of the General Lending Policy as current ratio was 1.0 and 0.99 as against the stipulated minimum of 1.33 for 2 years respectively while average trading days for liquidating the pledged shares was 50 days as against maximum stipulation of 45 days.<br>• The Company accepted security of bank guarantee of only ₹ 50 crore (August 2012) in exchange of the pledged shares of the borrower valuing approximately ₹ 118.81 crore. | The Management (August 2016) replied that the loan was sanctioned in view of JBIL's credit rating of 'BBB' and increase in its turnover and reputation of the group. It also stated that JBL had adequate security of unlisted shares.<br>Replies are not tenable as despite increase in turnover, JBIL had poor financials as its profits were highly fluctuating and indebtedness had also significantly increased. Moreover, JBIL was registered with BIFR on 22 September 2015.<br>Thus, recovery of ₹ 23.24 crore is doubtful. |

[5] Risk of conversion of short term loans to long term and conversion of debt to equity.

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| 8 | *Sahasra Investment Private Limited* | October 2010 (₹ 35 crore) | ₹ 26.94 crore (Principal outstanding ₹ 17.86 crore and unrealized interest of ₹ 9.08 crore) | • The Company accepted collateral security of equity shares of Cura Technologies Limited despite being aware that its trading volume was not adequate enough for IFCI to liquidate the shares in 45 days as stipulated by the extant General Lending Policy. As a result, the Company could sell only 4.29 lakh shares out of total pledge of 24.9 lakh shares (till December 2015).<br>• The One Time Settlement proposal (June 2015) of ₹ 11.50 crore also failed. | Management replied that pledge of shares of CTL was taken only as a collateral and not the main security and same could not be sold in bulk due to low trading volume.<br>Reply corroborates the audit observation that acceptance of this security was not in the best interest of the Company and has resulted in doubtful recovery of ₹ 26.94[6] crore. |
| 9 | *Indu Techzone Private Limited* | September 2008 (₹ 60 crore, disbursed ₹ 9.90 crore) | ₹ 12.15 crore (₹ 7.67 crore + ₹ 4.48 crore) | • The security was deficient as the land mortgaged was a SEZ land.<br>• It was attached (February 2015) by the Enforcement Directorate under Prevention of Money Laundering Act, 2002 (PML Act) and CBI had also filed cases of *quid pro quo* in respect of the land allotted to ITPL.<br>• The Corporate Guarantor was in CDR since May 2012. | The Management replied that the loan was sanctioned against primary security of land and additional security in the form of corporate guarantee and pledge of shares of IPL was taken to further secure the loan. Further, the property in the form of SEZ land can still be enforced being the industrial land but the transferee has to use the same form industrial purposes only.<br>Replies are not tenable as the primary security is under attachment by ED and there are bleak chances of recovery from additional security.<br>This could have been avoided had due caution been taken while sanctioning the loan on the basis of weak security. |

[6] Of ₹ 26.94 crore, being the unrealised amount as on 31 March 2016, an amount of ₹ 1.72 crore was realised (April 2016) from sale of another mortgaged collateral property.

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| 10 | *Cedar Infonet Private Limited* | May 2011 (₹ 100 crore, Disbursed ₹ 20 crore) | ₹ 9.38 crore (₹ 5.65 crore + ₹ 3.73 crore) | • Despite being aware of unsound repayment capacity of CIPL due to increasing indebtedness[7] and interest burden[8], IFCI accepted additional security (September 2012) of mortgage of a property original papers of which had already been taken away by the Income Tax Department (ITD) during a raid on its office in 2009<br>• Instead of selling the shares (approved on 14.9.2012), IFCI relied upon CIPL's assurance to augment the security cover resulting in realizing (12.10.2012) only ₹ 6.35 crore at an average of ₹ 35/share as compared to ₹ 65 per share (14 September 2012).<br>• The auction for the mortgaged property through SARFAESI Act also failed twice (February and March 2015). | The Management replied that the sale of shares was put on hold as CIPL had agreed to augment the security cover by way of mortgage. Further, the original documents seized by ITD also could not be made available despite follow-up by the Company with the promoters.<br>Reply of the Company itself corroborates the fact that the acceptance of mortgaged property without original documents was against the safeguarding of its financial interests as it also delayed the sale of shares leading to under realization and thereby loss of ₹ 9.38 crore. |

[7] ₹ 740 crore (2009-10) to ₹ 1567 crore (2011-12).

[8] ₹ 72 crore (2009-10) to ₹ 163 crore (2011-12).