

# 'IL&FS defaulted due to asset-liability mismatch'

SURABHI

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Management not responsible for the crisis at the infra company, believe former directors

MUMBAI, OCTOBER 3

The government may have taken over the reins of troubled Infrastructure Leasing and Financial Services (IL&FS) and installed a new board, but former directors believe that the problems at the firm arose chiefly from an asset-liability mismatch and that the management was not at fault.

“The main reason for the default was the problem in mismatch of assets and liabilities. As such, there was not a problem with the board,” said a former director of ILFS.

It is understood that no real concerns about the performance of the IL&FS board and management were raised in earlier meetings.

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## THE IL&FS SAGA

According to the company’s annual report for 2017-18, independent directors reviewed the performance of the non-independent directors, the chairman of the company, and the overall performance of the board and its committees, at a meeting held on May 30.

“No problems with the working of the board were flagged at this meeting and nothing was seen to be amiss,” said the former director.

### Board meeting

The annual report further said that an evaluation of the performance of individual directors, committees, and the board was noted at the meeting of the board of directors on May 30 this year, adding that the independent directors also met on November 9 to discuss strategic and operational matters of the organisation.

On Monday, the government had moved the National Company Law Tribunal to supersede the board of IL&FS, and replaced it with a new six-member board.

“The decision to supersede the existing board was taken after careful consideration of a report received from the Regional Director, Mumbai, under the Ministry of Corporate Affairs, which clearly brought out serious corporate-related deficiencies in the IL&FS holding company and its subsidiaries,” the Finance Ministry had said in a statement.

Experts also believe that problems must have been brewing for some time at IL&FS, and the management should have been more accountable.

“Asset-liability mismatch is inherent. But effective management and functioning of executives is important,” noted Ashvin Parekh, Managing Partner of Ashvin Parekh Advisory Services.

## High salaries

Pointing to the high managerial salaries and attempts to pay dividend by IL&FS, Shriram Subramanian, Managing Director of proxy advisory firm InGovern, said: “The entire nature of the financial services business is about managing asset-liability mismatch. The board should have been more cognizant,” he said.

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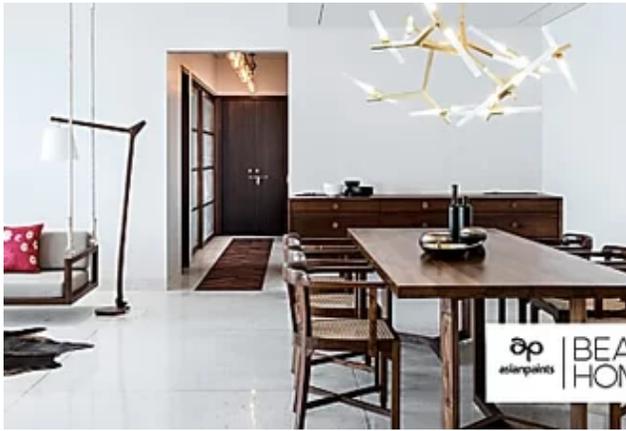
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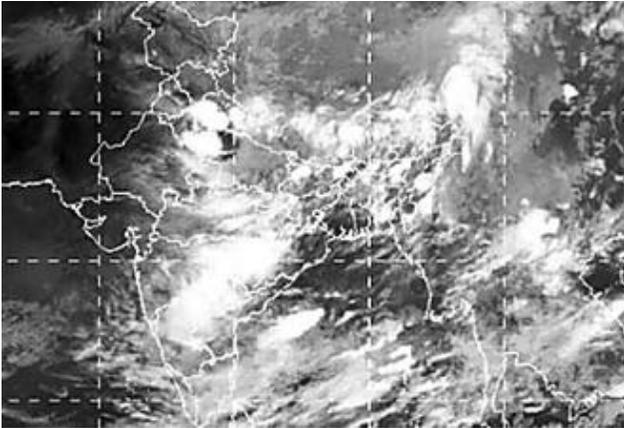
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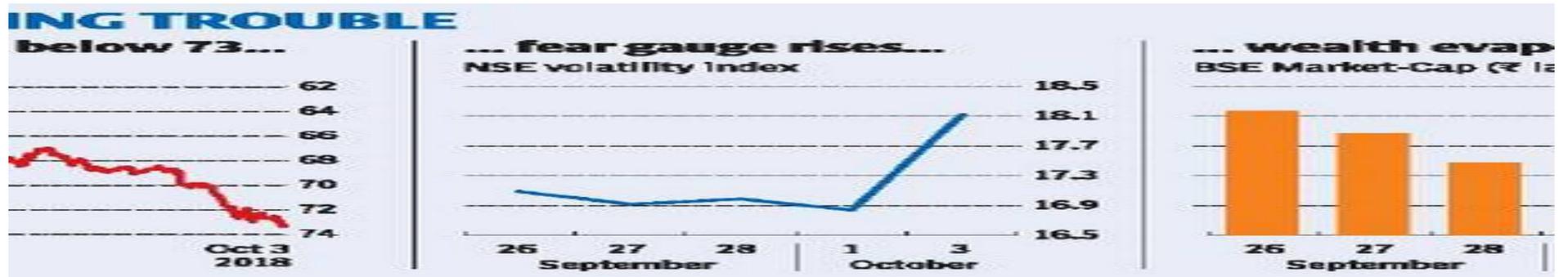
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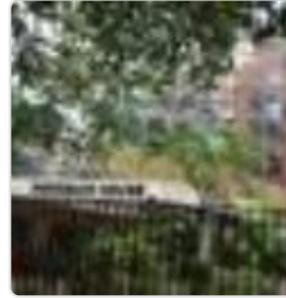
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