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Market Watch

PMC Bank probe finds another ghost account operator

BY RASHMI RAJPUT & MAULIK VYAS, ET BUREAU | UPDATED: NOV 23, 2019, 10.32

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MUMBAI: Investigators into the Punjab and Maharashtra Cooperative (PMC) Bank fraud have detected another borrower — the [Abchal Group](#) — that concealed its identity through password-protected accounts, much in the manner of Housing Development and Infrastructure Ltd ([HDIL](#)).

These 'ghost accounts' are suspected to have been operated by entities with the knowledge of arrested bank officials, sources said. These accounts allegedly belonged to the Abchal Group, loans to which have turned bad, saddling the bank with a Rs 300 crore liability. Not much information seems to be publicly available on the Abchal Group or its promoters.

According to details available with Registrar of Companies (RoC), Shri Abchal Property Investment Pvt Ltd was incorporated in 1992 with a share capital of Rs 1 lakh. The company is currently struck off by the RoC owing to which ET was unable to reach out to it for a reaction.

HDIL had allegedly tampered with PMC Bank's core banking solution to operate 44 password-protected accounts. Loans disbursed by the bank to these accounts on overdraft eventually made it to the accounts held by HDIL or its promoters [Rakesh and Sarang Wadhawan](#).

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Another Skeleton Out Of Closet

Not much details available on **Abchal Group** or its promoters

Shri Abchal Property Investment Pvt Ltd incorporated in 1992, as per RoC

Company has been struck off by RoC

It was involved in activities related to **financial intermediation**, except insurance and pension funding

UNDER LENS

EOW may summon Uttam Galva directors

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"Details have emerged in the draft forensic report and from interrogations. The accused bankers have accepted that like HDIL, Abchal Group, too, used ghost accounts. Inquiries are being made to ascertain who were the ultimate beneficiaries," said an official. "The accused directors who so far maintained that only HDIL operated password-protected accounts had been lying and hiding information," the official said.

The investigators are also likely to summon the directors of the [Uttam Galva](#) Group. A draft forensic report by Grant Thornton (GT) pointed out certain instances of alleged "favours" extended by the erstwhile PMC board such as allowing Uttam Galva companies extra time to meet loan obligations, sources said. The Uttam Galva Group was PMC's second major borrower after HDIL with a loan exposure of over Rs 200 crore.

"We are not aware of any forensic audit findings nor have been asked by any agency to join the probe. Our account is regular as on date," an Uttam Galva spokesperson told ET in an email. "We have been doing business with [PMC Bank](#) for the last 25 years. Uttam

Galva Steels Ltd, Uttam Galva Metallica Ltd and Uttam Value Steels Ltd have credit balance in their respective current accounts of Rs 13 crore. Our power plant IPPL and another associate company Shree Uttam Steels and Power Ltd have long-term loans of about Rs 200 crore which are being serviced regularly.”

Sources told ET that the Reserve Bank of India-appointed administrator JB Bhorla also plans to implead PMC in the insolvency proceedings against HDIL initiated by Bank of India. In a meeting of the RBI governor, the Maharashtra police Economic Offences Wing (EOW) chief, Enforcement Directorate (ED) officials and Bhorla earlier this week, it was decided to approach the National Company Law Tribunal (NCLT) to auction the bank’s assets. Those outside the bankruptcy proceedings will be sold by the bank under the Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest (SARFAESI) Act.

EOW chief Rajvardhan Sinha confirmed that loans given to the Uttam Galva Group firms are being investigated but refused to comment further. Within days of the Mumbai bench of the NCLT admitting the bankruptcy case against HDIL in August, the builder moved the National Company Law Appellate Tribunal (NCLAT). “It stayed the formation of a committee of creditors (CoC) because a resolution professional was appointed to take a call on the claims,” said a person close to the development.

“NCLAT will hear the matter again on December 4 when PMC Bank will be present as a creditor with substantial voting rights.”

On Friday, the ED gave its consent for the sale of two airplanes and a yacht seized by the EOW. It, however, said that consent for the sale of 17 vehicles cannot be given as their disposal will be decided by the adjudicating authority under the Prevention of Money Laundering Act (PMLA).

Counsel for PMC Bank Ramesh Dube-Patil asked that the movable assets be auctioned within a month as these were susceptible to depreciation. “Delay in disposing the moveable assets would result in the loss of value of the assets and hence it would be in the interest of the justice to allow the present application,” the bank told the CMM court. The court is likely to pass its order on the auction of the two jets and the yacht on November 25.

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