

1 October 2018

Rajnish Kumar

Chairman

State Bank of India (SBI)

Corporate Centre, State Bank Bhavan,

Madame Cama Road,

Mumbai - 400 021

Dear Mr Kumar,

We are writing to you on behalf of thousands of state bank account holders, who are also members of Moneylife Foundation. We have noted with concern the reports in media about participation by SBI, the seventh largest stakeholder in Infrastructure Leasing & Financial Services Ltd (IL&FS), in the rights issue worth Rs4,500 crore of the debt-ridden group. This rights issue means additional money of public would be invested in this highly mismanaged organisation.

Sir, you have been quoted in media reports as saying, "As a leader in the banking and financial services industry, SBI will do everything that helps in stabilising the financial system. Any decision to support cash-strapped IL&FS will be taken by SBI's board keeping in view the larger interest of the banking and financial services industry as well as protecting the bank's own shareholders' interests".

As pointed out by Mr Hemindra Hazari in his article in *The Wire*, IL&FS has a negative net-worth of Rs23,083 crore and the amount being raised through rights issue (Rs4,500 crore) would be a drop in the ocean. "Furthermore, given the state of IL&FS subsidiaries and associates, the RBI special audit is likely to uncover far more losses. Hence the magnitude of the bail-out needed may dwarf any other bail-out in

India's financial system," Mr Hazari had said. (<https://thewire.in/banking/ilfs-india-shadow-banking-bailout>)

We, as voices representing SBI account holders, and ordinary taxpaying citizens, would like to know, what kind of action, as seventh largest shareholder and with a representative on board of IL&FS, have you taken to stem the rot in IL&FS that has accumulated for over a decade.

An inspection report from the Reserve Bank of India (RBI) pointed out that the net-owned fund of IL&FS had been wiped out and that it was over-leveraged. RBI is the banking regulator and IL&FS is designated a systemically important finance company. Yet, we are told that it 'declined to take corrective measures'. The word 'declined' smacks of defiance and is actually borne out by publicly available information.

As pointed out by Ms Sucheta Dalal, in her article published at *Moneylife*, it is clear that IL&FS and its group entities have been concealing RBI's concerns and financial mess for almost three years. (<https://www.moneylife.in/article/ilfs-regulatory-capture-or-plain-defiance/55419.html>)

Whether or not IL&FS as a group is bailed out, it is clear that the 40-odd banks, mutual funds and other entities that invested in its projects or financial papers will take a hit. Several companies have already approached the NCLT (National Company Law Tribunal) and there is talk about criminal cases being filed. In the circumstances, the public has a right to know what role, if any, played by the board and SBI as its seventh largest stakeholder, and how will the board members, including SBI representative, be made accountable?

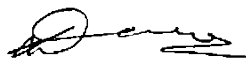
In such scenario, a rights issue from IL&FS will be only be a band aid because keeping the same management in place which has sunk the ship will only

perpetuate the problem. We feel that pumping more money to run an organisation with the same management at the helm, which created this hydra-headed monster, will be a shocking waste of public money.

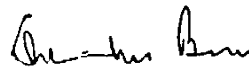
We would urge you not to put in any further public money without a clear plan for revival and resolution, which should exclude existing top management at IL&FS.

We trust you will take our issues and concerns on board and ensure that safeguarding of your customer and bank account holders' interest is the first priority.

With Best Regards,



Sucheta Dalal  
**Founder Trustee**  
**Moneylife Foundation**



Debashis Basu  
**Founder Trustee**  
**Moneylife Foundation**

CC:

1. Shri Arun Jaitley  
Minister of Finance  
134, North Block  
Ministry of Finance  
New Delhi-110001  
fmo@nic.in

2. Dr Hasmukh Adhia  
Secretary (Finance)  
128-A, North Block,  
Ministry of Finance  
New Delhi-110001  
secy-fs@nic.in