

QUID PRO QUO

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ABSTRACT

Ms. Chanda Kochhar joined ICICI Limited as a Management Trainee in 1984. She was appointed as the CEO of ICICI Bank on May 01, 2009. Under the leadership of Chanda Kochhar, ICICI Bank had given loans to Essar Steel Minnesota LLC and Videocon which turned into non-performing assets. The CBI investigation against Ms. Chanda Kochhar unearthed that she received illegal gratification through her husband Deepak Kochhar for favoring Videocon group. Ms. C. Kochhar had violated ICICI Bank Code of Conduct.

Keywords: Code of Conduct, Conflict of Interest, Due Disclosure

Quid Pro Quo

Ms. Chanda Kochhar, the CEO and MD of India's second-largest private bank, ICICI Bank Limited, was sacked with retrospective effect on January 30, 2019; after a high-level internal probe found her guilty of violating the bank's code of conduct. The Kochhar – ICICI Bank case came into limelight in March 2018.

The Rise of Ms. Chanda Kochhar

Ms. Chanda Kochhar (Ms. Chanda Advani before her marriage) joined ICICI Limited as a Management Trainee in 1984. At the beginning of her career, Ms. Kochhar handled the initial core functions in ICICI. It was in 1993 that ICICI made forays into commercial banking. Ms. Kochhar was one of the core team members. She was promoted to the post of Assistant General Manager in 1994 and in 1996 she became the Deputy General Manager. In 1996, Ms. Kochhar was at the helm of the Infrastructure Industry Group (set up for creating industry expertise in the areas of Power, Telecom and Transportation). In 1999, Ms. Kochhar held the post of General Manager and head of the Major Clients Group (set up in 1998 for handling the

relationships with ICICI's top 200 clients). In 1999, Ms. Kochhar also began handling the Strategy and E-commerce divisions of ICICI. Ms. Kochhar set up and scaled up the Retail Business of ICICI. ICICI Bank won the "Best Retail Bank in India" award in 2001, 2004 and 2006; and the "Excellence in Retail Banking Award" in 2002. In April 2001, Ms. Kochhar became the Executive Director and in April 2006, she became the Deputy Managing Director of ICICI Bank. Ms. Kochhar was appointed as the CEO of ICICI Bank from May 01, 2009 (The Times of India, 2008). ICICI Digital Village, one of the programs which she launched, helped in the vocational training of over 11,000 villagers in 17 states in India.

ChandaKochhar is the first Indian lady who received the coveted Woodrow Wilson award for Global Citizenship (Forbes, 2019). ChandaKochhar also made it to Fortune's Most Powerful Women in Business list and Forbes 100 Most Powerful Women list on multiple occasions (Exhibit 1).

The Case

On January 24, 2019; the CBI filed FIR against Ms. ChandaKochhar, Mr. Deepak Kochhar and Mr. Dhoot for causing wrongful loss to ICICI Bank (Chauhan, 2019a). The series of transactions which led to the FIR being filed are summarized in Table 1.

Table 1

Date	Transaction
July 03, 2008	Supreme Energy Private Limited (SEPL) incorporated ("Supreme Energy Private Limited Information - Supreme Energy Private Limited Company Profile, Supreme Energy Private Limited News on The Economic Times", 2021). Venugopal owned 9,990 shares. Vasant Kakade owned 10 shares (Chauhan, 2019b).
December 24, 2008	NuPower Renewables (NRL) incorporated (Manghat, 2021). Venugopal N Dhoot, Saurabh Dhoot and Deepak Kochhar appointed directors of NuPower Renewables (Chauhan, 2019c).
January 15, 2009	V N Dhoot and Saurabh Dhoot resign from NRL. Venugopal allots his approximately 20 lakh warrants to Deepak Kochhar at ₹ 10 per warrant, on an initial payment of ₹ 1 per warrant (Chauhan, 2019b). The reins of Supreme Company were also handed over to Deepak Kochhar. Dhoot resigned from the director position of SEPL and sold his shares to Pinnacle Energy trust (PET) which is managed by Deepak Kochhar (Chauhan, 2019b).
May 01, 2009	Ms. Kochhar appointed MD and CEO of ICICI Bank (Chauhan, 2019c).
June 05, 2009	NuPower Renewables shares held by Dhoot and Deepak Kochhar transferred to Supreme Energy (Deepak Kochhar's company) (Chauhan, 2019c).
August 26, 2009	Loan (Rupee Term Loan) of ₹ 300 crores given to Videocon International Electronics Ltd (VIEL). Ms. Kochhar was a member of one of the committees that sanctioned the loan. The loan was transferred into Videocon's account on September 07, 2009 (Chauhan, 2019b).

Quid pro quo

September 08, 2009	₹ 64 crores transferred by Dhoot into NRL (Chauhan, 2019b).
2010	Loans of \$530 million given to Essar Steel Minnesota LLC by ICICI Bank which turned into NPAs (BusinessToday.in, 2019a).
October 31, 2011	Loan of ₹ 750 crores given to Videocon Industries Ltd (VIL). Ms. Kochhar was a member of one of the committees which sanctioned a loan of ₹ 750 crores to VIL (Chauhan, 2019a).
June 2009 – October 2011	Four other loans totaling ₹ 825 crores granted to Videocon Industries Ltd (VIL): a loan of ₹ 175 crores to Millennium Appliances India Ltd was given on June 30, 2009; a loan of ₹ 240 crores to Sky Appliances Ltd was given on November 17, 2010; loan of ₹ 110 crores was given to Techno Electronics Ltd on November 17, 2010; loan of ₹ 300 crores was given to Applicomp India Ltd on May 30, 2011 (Chauhan, 2019a). These loans turned NPAs.
April 26, 2012	Six loans combined into a single loan of ₹ 1,730 crores (Chauhan, 2019c).

There were three areas wherein the code of conduct was not observed:

1. Conflicts of interests: Ms. Chanda should have disclosed her husband's business transactions with the Dhoots
2. Ms. Chanda was a member of the committees which sanctioned loans to the Dhoots
3. Diligence: following the annual disclosure guidelines as per the policies of ICICI.

Preventing Banking Frauds

India's central bank – the Reserve Bank of India had issued a notice dated 01 July 2009 for preventing frauds in the banking industry.

Interestingly, the banks have suffered more than 50,000 frauds in the FY09 – FY19 time-span and ICICI Bank reported the highest number of frauds (6,811) amounting to 5,033 crores (Livemint, 2020).

Two Points to Ponder On:

Was Ms. Chanda Kochhar guilty?

Who will pay for the losses suffered by ICICI?

Action initiated by ICICI Bank

On March 28, 2018; ICICI Bank issued a statement that it had reviewed the processes for credit approval and found them to be robust. According to the statement there was no question of any *quid pro quo* or nepotism and the bank had full confidence

and faith in Ms. Kochhar. However, on March 31, 2018; the Central Bureau of Investigation filed an initial inquiry into the case. In June 2018, ICICI Bank appointed retired Supreme Court judge Justice BN Srikrishnato spearhead an independent panel initiated by ICICI Bank's board. On January 30, 2019; the panel headed by Justice BN Srikrishna reported that Ms. C. Kochhar had violated the bank's code of conduct.

The bank terminated Ms. ChandaKochhar's service and decided to take back all bonuses given to her between April 2009 and March 2018.

Information about Videocon Industries Limited

Videocon Industries Limited (incorporated on 04 September 1986) is the flagship company of the Videocon Group. The Videocon conglomerate was founded in 1984 by late Shri NandlalMadhavlal Dhoot.

Videocon Industries Limited operates in:

Manufacturing, assembly, marketing and distribution of consumer electronic products and home appliances; and oil and gas through subsidiaries and joint ventures.

Analysis

Cause	Description	Type of error or other failure	Systemic cause or preventive action
Direct cause	Deepak Kochhar was highly ambitious. Ms. C. Kochhar was of the view that the laurels she had won in her life would shield her. She thought that her position in the organization made her invulnerable.	Active error Halo effect	He thought that no one would be able to trace the path he would traverse and no one would be able to trace the flow of money and transfer of shares. Ms. C. Kochhar played mind games. A deep examination of financial statements of a company, Altman Z-Score can help ascertain the financial credit worthiness of a company.
Root cause	Too much faith on a person. ICICI bank reviewed its processes for credit approval and found them to be robust.	Management error Cultural error	The procedures laid down by the apex bank of the country need to be followed in letter and spirit.
Contributory causes	Lack of awareness	Latent error	The industry has failed to take cognizance of frauds which have taken place prior to ChandaKochhar - ICICI case.

Exhibit 1

Fortune's List of Most Powerful Women in Business	
Year	Position
2005	47 ("ChandaKochhar, the Fortune's favorite powerful woman in Business", 2019)
2006	37 ("ChandaKochhar, the Fortune's favorite powerful woman in Business", 2019)
2007	33("International Power 50 - ChandaKochhar (25) - FORTUNE", 2019)
2008	25("International Power 50 - ChandaKochhar (25) - FORTUNE", 2019)
Forbes World's 100 Most Powerful Women List	
Year	Position
2009	20(BusinessStandard, 2019)
2010	92("Wilsoncenter.org:ChandaKochhar", 2019)
2012	59("Wilsoncenter.org:ChandaKochhar", 2019)
2016	40("Four Indians Among Forbes' The World's Most Powerful Women' List Forbes India", 2019)
2017	32 ("Forbes.com: ChandaKochhar", 2020)

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