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Enforcement Directorate Probes Reliance Group Over YES Bank Loans

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India's financial enforcement body has initiated a comprehensive investigation into Reliance Group, led by Anil Ambani, over alleged misappropriation of loans totaling ₹30 billion (approximately \$350 million) from YES Bank. The case involves serious accusations of financial misconduct, including bribery and loan diversion.

India's Enforcement Directorate (ED), the central agency tasked with combating economic crimes, has launched a major probe into Anil Ambani's Reliance Group concerning suspicious financial dealings with YES Bank between 2017 and 2019. The investigation

centers around allegations that the group orchestrated the diversion of ₹30 billion in loans through a network of shell companies, violating standard lending practices. Authorities conducted coordinated searches across 35 locations linked to Reliance Group as part of the probe.

According to a government source, Reliance Group entities are suspected of offering illegal payments to YES Bank officials in exchange for favorable loan terms. These loans, it is claimed, were granted without proper due diligence and included violations such as backdated documentation, loans to companies with weak financials, and the practice of “evergreening,” where new loans are issued to conceal non-performing assets.

In response to the allegations, a spokesperson for Reliance Group stated that all loans from YES Bank were secured and issued following due process. The group dismissed claims of bribery and maintained that repayments, including interest, were made in full. The spokesperson also asserted that Reliance Home Finance Limited (RHFL), the group’s housing finance arm, provided loans on merit and without irregularities to entities associated with Rana Kapoor, YES Bank’s former promoter.

Rana Kapoor, once at the helm of YES Bank, was arrested in 2020 on fraud charges and granted bail in 2024. His tenure is marked by questionable lending practices that ultimately led to the bank’s insolvency and subsequent rescue by a consortium of Indian lenders. The bank is currently undergoing structural changes, with Japan’s Sumitomo Mitsui Banking Corporation reportedly seeking a 20% stake, pending regulatory approval.

Legal experts, such as Supreme Court advocate Debopriyo Moulik, noted that the ED now has the authority to seize or attach assets under the Prevention of Money Laundering Act. However, Reliance Group can challenge these actions in court, a likely next step given the high-profile nature of the case.

The probe has already impacted market sentiment, with shares of Reliance Infrastructure and Reliance Power dropping by as much as 5%. Both companies released statements asserting that the investigation would not affect their business operations or financial standing. They further clarified that the alleged transactions in question involve dealings that occurred over a decade ago, primarily linked to Reliance Communications Limited (RCOM) and RHFL.

Compounding the group's regulatory woes, the Securities and Exchange Board of India (SEBI) had barred Anil Ambani and 24 others from the securities markets for five years in 2024, citing fund diversion from RHFL. SEBI's findings were later shared with the ED, contributing to the current investigation. According to the government source, one significant revelation includes the alleged misuse of over ₹100 billion in inter-corporate deposits (ICDs), routed through undisclosed, related-party entities to bypass oversight protocols.

Though Anil Ambani no longer holds directorships on any listed Reliance entities, in compliance with SEBI's ruling, his business operations remain under heightened scrutiny. Reliance Group, with interests spanning infrastructure, defense, and energy, now faces the challenge of defending its reputation amid serious financial crime allegations. This case underscores the importance of rigorous financial oversight and corporate accountability, particularly in sectors critical to national economic stability. The government's commitment to upholding transparent financial practices is clear, and the outcome of this investigation could set significant precedents for corporate governance in India.