



## Independent Auditor's Report

To the Members of ICRA Limited

### Report on the Audit of the Standalone Financial Statements Qualified Opinion

We have audited the Standalone Financial Statements of ICRA Limited ("the Company"), which comprise the Standalone Balance Sheet as at 31 March 2020, and the Standalone Statement of Profit and Loss (including Other Comprehensive Income), Standalone Statement of Changes in Equity and Standalone Statement of Cash Flows for the year then ended, and notes to the Standalone Financial Statements, including a summary of the significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, except for the effects/ possible effects, if any, of the matter described in the "Basis for Qualified Opinion" section of our report, aforesaid Standalone Financial Statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the State of Affairs of the Company as at 31 March 2020, and Profit and Other Comprehensive Income, Changes in Equity and its Cash Flows for the year ended on that date.

#### Basis for Qualified Opinion

Attention is drawn to note 29 of the Standalone Financial Statements, wherein it is explained that the Company is in the process of addressing certain ongoing matters.

First, in respect of an adjudication proceeding ("Adjudication Proceeding") initiated by the Securities and Exchange Board of India ("SEBI") in relation to the credit ratings assigned to one of the Company's customers and the customer's subsidiaries, SEBI issued an order imposing a penalty of INR 25 lakh under section 15HB of the SEBI Act, 1992 on the Company. Further, SEBI issued a Show Cause Notice ("SCN") for enhancement of penalty amount. The Company has filed an appeal challenging the adjudication order before the Securities Appellate Tribunal (the "SAT") and deposited the penalty amount of INR 25 lakh without prejudice to such appeal. The said appeal is pending before the SAT. The Company has also been cooperating with government agencies and responding to their queries in relation to this matter.

Second, the Board of Directors ("Board") had appointed external experts to examine and report on anonymous representations making certain allegations against two former officials, which were forwarded to the Company by SEBI ("Representations"). During the examination of the aforesaid Representations, certain counter allegations were made by one of the two former officials, for which the Board appointed a second set of external experts to examine such allegations.

Based on our sighting and briefing of the findings of the external experts, the findings indicate that the conduct of the aforesaid officials was not in conformity with certain applicable regulations and Company policies relating to credit rating activities. The aforesaid officials are no longer in the employment of the Company. The external experts have expressed that no evidence was found suggesting ex-facie that the ratings examined as part of the examination were inflated (i.e. were unsupported by ratings analysis). Further, as per external experts, this is subject to the limitation that the determination of whether or not any ratings are supported by ratings analysis, is a qualitative technical matter that was beyond the scope of the examination as the examination was not aimed at reviewing the appropriateness of rating opinions on merits.

Based on our sighting and briefing of the findings of the second set of external experts, the findings do not indicate any material deficiencies with applicable regulations and Company policies.

The findings of the external experts have been presented to the Board members. As informed to us, the Board is in the process of taking steps with regard to the outcome of the examinations.

Third, the Company directly received another anonymous representation during the year ended 31 March 2020 against certain of its existing officials and the examination thereof is in progress.

Fourth, the Company had received a letter from SEBI seeking comments on observations made in the interim report dated July 15, 2019 prepared by Grant Thornton India LLP, which was commissioned by the IL&FS group. As informed to us, the Company had submitted its responses to SEBI on such observations dated 14 August 2019 and there has been no further development in this matter.

While the Company has made a provision for penalty on a best estimate basis with regard to the Adjudication Proceeding, the impact of uncertainties arising from SEBI's powers against non-compliances of aforesaid regulatory framework and other matters stated above are currently unascertainable. Consequently, we are unable to estimate the impact, if any, that may result from a conclusion of these matters or any related inquiry, on the Standalone Financial Statements for the year ended 31 March 2020.

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the *Auditors' Responsibilities for the Audit of the Standalone Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the Standalone Financial Statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the Standalone Financial Statements.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Standalone Financial Statements of the current period. These matters were addressed in the context of our audit of the Standalone Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section, we have determined that the matter described below to be the key audit matters to be communicated in our report:

Description of Key Audit Matter

#### a) Revenue recognition

See note 3.2 to the Standalone Financial Statements

The key audit matter	How the matter was addressed in our audit
<p>The revenue relating to rating and grading, where customers' acceptance is required, is recognized upon issuance of press release or disclosure of unaccepted ratings on the Company's website. For other cases, revenue is recognized upon transfer of control of promised services to the customers.</p> <p>There is a risk that revenue is recognized for all services before the transfer of control of the service to customer is completed.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>• Evaluation of the design and implementation and operating effectiveness of internal controls relating to revenue recognition process.</li> <li>• On selected sample of contracts, tested revenue recognition, and our procedures included: <ul style="list-style-type: none"> <li>- evaluating the identification of performance obligations;</li> <li>- considering the terms of the contracts to determine the transaction price; and</li> <li>- inspection of the date of transfer of control of service and recording of revenue at an appropriate date.</li> </ul> </li> <li>• Tested revenue recognition for cut-off transactions on sample basis to assess whether the customer has obtained the control of service and whether the timing of revenue recognition is appropriate.</li> <li>• Assessed the adequacy of the disclosures in accordance with the relevant accounting standard.</li> </ul>

### Other Information

The Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the Standalone Financial Statements and our auditor's report thereon. The Company's Annual Report is expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Standalone Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Standalone Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Standalone Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

### Management's and Board of Directors' Responsibility for the Standalone Financial Statements

The Company's Management and Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these Standalone Financial Statements that give a true and fair view of the State of Affairs, Profit/Loss and Other Comprehensive Income, Changes in Equity and Cash Flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design,



implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Standalone Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Standalone Financial Statements, the Management and Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is also responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Standalone Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Standalone Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Standalone Financial Statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Standalone Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to Standalone Financial Statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the Standalone Financial Statements made by the Management and Board of Directors.
- Conclude on the appropriateness of the Management and Board of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Standalone Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Standalone Financial Statements, including the disclosures, and whether the Standalone Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Standalone Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of section 143 (11) of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. (A) As required by Section 143(3) of the Act, we report that:
  - a) Except for the effects of restricted access and limited information provided to us with respect to underlying documents supporting the work of the external experts and the effects of the matter described in the Basis for Qualified Opinion paragraph above, we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - c) The Standalone Balance Sheet, the Standalone Statement of Profit and Loss (including Other Comprehensive Income), the Standalone Statement of Changes in Equity and the Standalone Statement of Cash Flows dealt with by this Report are in agreement with the books of account.
  - d) In our opinion, the aforesaid Standalone Financial Statements comply with the Ind AS specified under section 133 of the Act.
  - e) Based on the legal opinions obtained by the Company from reputed external counsels, the Company does not foresee an action from the regulator(s) that could adversely affect the functioning of the Company. However, in our opinion, the matter described in the Basis for Qualified Opinion paragraph above, may have an adverse effect on the functioning of the Company.
  - f) On the basis of the written representations received from the directors as on 31 March 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2020 from being appointed as a director in terms of Section 164(2) of the Act.
  - g) With respect to the adequacy of the internal financial controls with reference to Standalone Financial Statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".
- (B) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
  - i. The Company has disclosed the impact of pending litigations as at 31 March 2020 on its financial position in its Standalone Financial Statements – Refer Note 28 and 29 to the Standalone Financial Statements;
  - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
  - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company; and
  - iv. The disclosures in the Standalone Financial Statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in these Standalone Financial Statements since they do not pertain to the financial year ended 31 March 2020.
- (C) With respect to the matter to be included in the Auditor's Report under Section 197(16):

In our opinion and according to the information and explanations given to us, the remuneration paid by the Company to its directors during the current year is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

For **B S R & Co. LLP**

*Chartered Accountants*

ICAI Firm Registration No.: 101248W/W-100022

**Shashank Agarwal**

*Partner*

Membership No.: 095109

ICAI UDIN: 20095109AAAAEO6130

Place: Gurugram

Date: 14 July 2020



## **Annexure A referred to in our Independent Auditor's Report to the Members of ICRA Limited on the Standalone Financial Statements for the year ended 31 March 2020**

- (i) (a) According to the information and explanations given to us, the Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets (property, plant and equipment).
- (b) According to the information and explanations given to us, the Company has a regular programme of physical verification of its fixed assets by which fixed assets are verified in a phased manner over a period of two years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. However, the Company has not carried out such physical verification of its fixed assets during the year ended 31 March 2020. As informed to us, no material discrepancies were noticed on such verification in the previous year.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company.
- (ii) According to the information and explanations given to us, the Company is a service company, primarily rendering rating, research and other services to corporate and non-corporate customers. Accordingly, it does not hold any inventories. Thus, paragraph 3(ii) of the Order is not applicable.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies or other parties covered in the register maintained under Section 189 of the Act. Further, there are no firms and limited liability partnerships covered in the register required under Section 189 of the Act. Accordingly, para 3(iii) of the Order is not applicable.
- (iv) According to the information and explanations given to us and on the basis of our examination of the records of the Company, there are no loans, investments, guarantees, and security where provisions of Section 185 and 186 of the Act are required to be complied with. Accordingly, paragraph 3(iv) of the Order is not applicable.
- (v) According to the information and explanations given to us, the Company has not accepted any deposits covered under Section 73 to 76 of the Act.
- (vi) According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records by the Company under sub-section (1) of Section 148 of the Act for any of the activities carried out by the Company.
- (vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Goods and Services tax, Cess and other material statutory dues as applicable, have generally been regularly deposited during the year by the Company with the appropriate authorities though there has been a slight delay in a few cases. As explained to us, the Company did not have any dues on account of Duty of customs.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Goods and Services tax, Cess and other material statutory dues as applicable to it, were in arrears as at 31 March 2020 for a period of more than six months from the date they became payable.

Also refer note 28 of the Standalone Financial Statements, wherein, it is explained that on account of the uncertainty with respect to the applicability of the Hon'ble Supreme Court Judgement on the provident fund matter, management has not recognized and deposited any additional provident fund amount with respect to the previous years.

- (b) According to the information and explanations given to us, there are no dues in respect of Goods and Services tax, Sales tax, and Value added tax which have not been deposited with the appropriate authorities on account of any dispute. However, according to the information and explanation given to us, the following dues of Income-tax and Service tax have not been deposited by the Company on account of disputes:

Name of the statute	Nature of dues	Amount in (Rupees in lakhs) *	Payment under protest in (Rupees in lakhs)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	19.97	Nil	F.Y. 2000 – 2001	The Assessing Officer
		0.44	Nil	F.Y. 2002 – 2003	
		2.00	Nil	F.Y. 2003 – 2004	
		278.62	Nil	F.Y. 2010 – 2011	Income Tax Appellate Tribunal
		462.04	Nil	F.Y. 2011 – 2012	
		366.93	Nil	F.Y. 2013 – 2014	
		66.82	Nil	F.Y. 2014 – 2015	
		53.18	Nil	F.Y. 2015 – 2016	
		262.15	Nil	F.Y. 2012 – 2013	The Commissioner Income Tax (Appeals)
		438.80	Nil	F.Y. 2016 – 2017	
		41.96	Nil	F.Y. 2003 – 2004	High Court
Finance Act, 1994	Service Tax	1.99	Nil	F.Y. 2001 – 2002	Assistant Commissioner of Central Excise
		11.40	11.40	F.Y. 2001 – 2002 to 2004 – 2005	The Commissioner (Appeals) of Central Excise

\* Amount as per demand orders including interest and penalty, wherever indicated in the order.

According to the information and explanations given to us, the Company did not have any dues on account of Duty of excise and Duty of customs.

- (viii) According to the information and explanations given to us, the Company did not have any outstanding dues to any financial institutions, banks, government or debenture holders during the year. Accordingly, paragraph 3(viii) of the Order is not applicable.
- (ix) According to the information and explanations given to us, the Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and did not have any term loans outstanding during the year. Accordingly, paragraph 3(ix) of the order is not applicable.
- (x) According to the information and explanations given to us, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year. However, attention is invited to “Basis for Qualified Opinion” section of our Audit Report on the Standalone Financial Statements for the year ended 31 March 2020, which deals with certain ongoing matters. The consequences (if any) which may arise in the future upon conclusion of such ongoing matters have not been considered for reporting under this clause.
- (xi) According to the information and explanations given to us and based on our examination of the records of the Company, the managerial remuneration has been paid/ provided by the Company in accordance with provisions of Section 197 read with Schedule V of the Act.
- (xii) According to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable.



- (xiii) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the transactions with the related parties are in compliance with Section 177 and 188 of the Act where applicable and the details have been disclosed in the standalone financial statements, as required by the applicable accounting standards.
- (xiv) According to information and explanations given to us, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, paragraph 3(xiv) of the Order is not applicable.
- (xv) According to information and explanations given to us, the Company has not entered into any non-cash transactions with directors or persons connected with them. Accordingly, paragraph 3(xv) of the Order is not applicable.
- (xvi) According to information and explanations given to us, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For **BSR & Co. LLP**

*Chartered Accountants*

ICAI Firm Registration No.: 101248W/W-100022

**Shashank Agarwal**

*Partner*

Membership No.: 095109

ICAI UDIN: 20095109AAAAEO6130

Place: Gurugram

Date: 14 July 2020

## **Annexure B to the Independent Auditor's report on the Standalone Financial Statements of ICRA Limited for the year ended 31 March 2020**

### **Report on the Internal Financial Controls with reference to the aforesaid Standalone Financial Statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013**

**(Referred to in paragraph 2(A)(g) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)**

#### **Adverse Opinion**

We have audited the internal financial controls with reference to Standalone Financial Statements of ICRA Limited ("the Company") as of 31 March 2020 in conjunction with our audit of the Standalone Financial Statements of the Company for the year ended on that date.

In our opinion, because of the effects/possible effects, if any, of the material weaknesses described below on the achievement of the objectives of the control criteria, the Company has not maintained adequate internal financial controls with reference to Standalone Financial Statements and such internal financial controls with reference to Standalone Financial Statements were not operating effectively as at 31 March 2020, based on the internal financial controls with reference to Standalone Financial Statements criteria established by the Company considering the essential components of such internal controls stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note").

We have considered the material weaknesses identified and reported below in determining the nature, timing, and extent of audit tests applied in our audit of the Standalone Financial Statements of the Company for the year ended 31 March 2020 and the material weaknesses have affected our opinion on the said Standalone Financial Statements and we have issued a qualified opinion on the said Standalone Financial Statements.

#### **Basis for Adverse Opinion**

As explained inter-alia in the "Basis for Qualified Opinion" section of our Audit Report on the Standalone Financial Statements for the year ended 31 March 2020, pursuant to examinations by the external experts appointed by the Board of Directors of the Company of anonymous representations received by the Company, non-compliances of certain applicable regulations and Company policies relating to credit rating activities, including override of certain internal controls by senior management officials, have been identified, which indicates that the control environment was ineffective as at 31 March 2020. This could potentially result in legal/ penal implications on the Company. The Company is in the process of undertaking remedial steps over a defined period of time towards strengthening its control environment. Pending the outcome of aforesaid non-compliances and conclusion of certain other ongoing matters, the completeness of identification of control deficiencies cannot be ascertained.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

#### **Management's and Board of Directors' Responsibility for Internal Financial Controls**

The Company's management and the Board of Directors are responsible for establishing and maintaining Internal Financial Controls based on the Internal Financial Controls with reference to Standalone Financial Statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (hereinafter referred to as "the Act").

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on the Company's Internal Financial Controls with reference to Standalone Financial Statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to Standalone Financial Statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate Internal Financial Controls with reference to Standalone Financial Statements were established and maintained and whether such controls operated effectively in all material respects.



Our audit involves performing procedures to obtain audit evidence about the adequacy of the Internal Financial Controls with reference to Standalone Financial Statements and their operating effectiveness. Our audit of Internal Financial Controls with reference to Standalone Financial Statements included obtaining an understanding of such Internal Financial Controls, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of the internal controls based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Standalone Financial Statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion on the Company's Internal Financial Controls with reference to Standalone Financial Statements.

### **Meaning of Internal Financial controls with Reference to Standalone Financial Statements**

A Company's Internal Financial Controls with reference to Standalone Financial Statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes in accordance with generally accepted accounting principles. A Company's Internal Financial Controls with reference to Standalone Financial Statements include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of Financial Statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the Standalone Financial Statements.

### **Inherent Limitations of Internal Financial controls with Reference to Standalone Financial Statements**

Because of the inherent limitations of Internal Financial Controls with reference to Standalone Financial Statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the Internal Financial Controls with reference to Standalone Financial Statements to future periods are subject to the risk that the Internal Financial Controls with reference to Standalone Financial Statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

For **B S R & Co. LLP**

*Chartered Accountants*

ICAI Firm Registration No.: 101248W/W-100022

**Shashank Agarwal**

*Partner*

Membership No.: 095109

ICAI UDIN: 20095109AAAAEO6130

Place: Gurugram

Date: 14 July 2020