

20th May-2021

To

The General Manager
BSE Limited
P.J. Towers, Dalal Street,
Mumbai- 400 001

The Manager
Listing Department
National Stock Exchange of India Limited
Exchange Plaza, 5th Floor,
Bandra Kurla Complex,
Bandra (East), Mumbai-400 051

Scrip Code: 532907

Scrip Code: IL&FSENGG

Dear Sir / Madam,

Sub:- Outcome of the Board Meeting held on 20th May-2021

Ref: Our Board Meeting Intimation dt. 14th May-2021

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI Listing Regulations), we inform you that the Board of Directors of the Company at its meeting held today, i.e., on Thursday, 20th May, 2021, which commenced at 10.30 A.M. and concluded at 12.49 P.M., has inter alia, noted the comments / Management replies on the Final Forensic Audit Report as furnished by M/s.Grant Thornton Bharat LLP. The list of documents are annexed herewith as part of SEBI Disclosures.

1. Final Forensic Audit Report received from M/s.Grant Thornton Bharat LLP - Annex-1
2. Management Replies / Comments – Annex-2.

We request to take the aforesaid communication on record and arrange to bring this to the stakeholders.

Thanking You

Yours faithfully

For **IL&FS Engineering and Construction Company Limited**


(CS. SRINIVASA KIRAN)

Company Secretary & Compliance Officer

Encl: Annex 1 & 2



For 38 Key projects (covering 75% of contract value of project active as on 31-Mar-2018) for which complete underlying project related data was not provided for our review.

Detailed party- wise of cost/ expenses incurred to execute the project	IECCL has informed that party wise cost/expenses incurred is not feasible from existing ERP, but we have provided almost approximately 380 vendors ledgers and access to ERP system has been provided to GT to down load the reports. However, cost break up head wise is available in YoY IECCL's financials, which we have shared with GT.	100%
Vendor wise trial balance	The said data is not available as such report cannot be generated from the ERP system	N/A
Year on year cash flow statements of the projects	Company Level cash flow has been provided YOY which was part of financials, project wise cash flow for 28 projects has been provided 100% and for 51 projects cash flow partly provided	42%
Project wise trial balance	YOY project trail balance is part of financial which was provided to GT	100%

Response provided in Annexure – 1.

While IECCL provided best possible information requested by GT concerning above stated 38 projects; however, data/information provided by IECCL in part could not be considered as complete relevant information to conduct a comprehensive review, as discussed pertinently in preceding sections of this report. Hence, GT's assessment concerning data limitations remains unchanged.

GT OBERSEVATION	IECCL RESPONSE	GT ASSESSMENT
<p>2. Potential anomalies in recognition of unbilled revenue:</p> <ul style="list-style-type: none"> Based on a review of the accounting process followed by IECCL, it was noted that unbilled revenue ('UBR') is with regard to the work completed by IECCL for which the invoice was not raised to its clients/customers. <p>The amount recognized as unbilled revenue is disclosed as contract revenue in the profit and loss statement of IECCL and simultaneously, the said amount is also included 'Amount due from the clients/customers' in the Balance Sheet.</p> <p>Potential instances which indicate a delay in writing off unbilled revenue</p> <ul style="list-style-type: none"> Based on the review of the financial statements, it was noted during the FY 2018-19, unbilled revenue of INR 727.93 crs was written off in the books of accounts. Based on the verbal discussions with the representatives of IECCL, we were informed that the current management of IECCL had assessed the financial strength of the customers and their ability to pay the dues, and had provided for the write-off of the unbilled revenue during the FY 2018-19. 	<p>2. Explanation on recognition of un-billed revenue</p> <ul style="list-style-type: none"> As per Accounting Standard on Revenue recognition of EPC Contracts any expenditure incurred in the project is divided by the total budgeted cost of the project to arrive at percentage of completion (POC). This POC is then multiplied by the Contract Value to arrive at revenue to be recognized till date. After deducting the certified portion of the revenue from this we arrive at un-billed revenue. From the above, it can be noted that <ol style="list-style-type: none"> UBR calculation is directly related to expenditure incurred in the project and is arrived at via set formula without any manual intervention. POC as per Accounting can be different from physical POC of any project (as we have seen in Patna- Gaya Project which is mentioned as anomaly in the report) Un-billed revenue refers to that portion of revenue which has not been certified by the client, it has no relation to whether IECCL has raised the invoice or not (as has been mentioned by GT in their report) UBR is generated in all EPC contracts because of non BOQ expenditure and/or non-certified BOQ expenditure. As the nature of EPC contracts is such that mobilization expenditure at sites is non – BOQ it is mostly found that UBR is generated for ongoing projects which gets adjusted over the project life cycle. Whether UBR needs to be written off or carried forward till end of the project is dependent on management expectations of the realizability of such expenditure. <ul style="list-style-type: none"> GT has mentioned that the recognized un-billed revenue is disclosed under "Amount due from the clients/customer", which is not correct. Un-billed revenue was classified in financials under inventory till F.Y. 2016-17, thereafter under "Project Work in Progress" (due to Ind AS implementation), till it gets certified by the clients. Further, the UBR written off during FY 19 was Rs.790 Cr and not Rs.727.93 Cr as mentioned by the GT in their report. Present management assessed the recoverability of UBR and after taking the Board approval by providing proper justifications/reasons for reversal, provision/write off of UBR has been done in FY 19. Project wise reasons are explained in below table Also, enclosed is the approval sheet duly approved by then Chairman of IECCL Audit Committee, Mr Bijay Kumar. 	

#	Name of the project	Total UBR recognized till FY 2017-18	UBR written off during FY 2018-19	% of write-off	Email communications which indicate that potential write-off of UBR was to be executed in the year, however, was done by the current management post 01		IECCL RESPONSE	GT ASSESSMENT
					Oct-18			
					FY 2015-16	FY 2017-18		
1	Nagaland	455.61	193.84	43%	✓	-	Based on the arbitration award received in 2018-19 the reversal of UBR was done	It is pertinent to note that present management had written off UBR of INR 727.93 crs after the receipt of the arbitration awards received after 01 October 2018. GT observation had noted that the emails which potentially suggest prior knowledge by then KMPs of anomalies about provisioning/ write-off of UBR during the earlier periods (FY 2015-16 till 17-18). However, the representative of IECCL offered no explanations about emails cited above as observations and instead emphasized receipt of the arbitration awards and extraordinary events that occurred during FY 2018-19 as the reasons for providing for the write-off of UBR
2	Patna Gaya14	133.04	150.18	100%	✓	-	Till Oct-2018, the project was in active mode and under execution. Post ILFS Episode the client had terminated the project, hence the reversal of UBR was considered. In the previous years IECCL has prepared its claim for RS.365 Cr which was under submission stage.	
3	Assam 19	157.52	78.72	50%	✓	-	IECCL entered into settlement of award receivables with NHAI in 2018-19. Based on the settlement, carrying value was duly adjusted in the books.	
4	ISPRM Magalore	94.89	70.76	75%	✓	-	Client had rejected the claim, hence proposed for provisioning. IECCL is also filling for arbitration.	
5	Kolkata Metro Rail15	56.67	62.4	100%	✓	-	The Project was Terminated during the year due to extra ordinary event having occurred in the ILFS Group, which affected the realisability adversely. Hence the provision was considered.	

6	Polavaram	59.08	33.48	57%	✓	-	Due to de-scope of work during FY 2018-19, write-off was proposed against claims booked earlier.
7	NMR	69.94	31.12	44%	✓	✓	The Project was Terminated during the year due to extra ordinary event having occurred in the ILFS Group, which affected the realisability adversely. Hence the provision was considered.
8	BMRCL-2	56.01	29	52%	✓	✓	In PY the project was under progress and IECCL was preparing claim for the extra cost incurred, hence UBR was retained in the books of accounts. However, due to extra ordinary event having occurred in the ILFS Group, provisioning was considered.
9	RMRG-Phase-II	26.95	26.95	100%	✓	-	This is ITNL project. Amount cannot be recovered due to extra ordinary event having occurred in ILFS- Group
10	Assam 17	84.05	26.23	31%	-	-	IECCL entered into settlement of award receivables with NHAI in 2018-19. Based on the settlement, carrying value was duly adjusted in the books.
11	Kiratpur	137.33	11.98	9%	-	-	This is ITNL Project. Due to extra ordinary event having occurred in the ILFS Group, realisability was affected adversely. Hence the provisioning was considered.
12	RMRG-II- Stations - 3 Stations	4.63	4.63	100%	✓	-	This is ITNL project. Amount cannot be recovered due to extra ordinary event having occurred in ILFS- Group
13	Amarvati Chikali	47.01	4.47	10%	-	-	This is ITNL project. Amount cannot be recovered due to extra ordinary event having occurred in ILFS- Group
14	DFCCI	11.49	2.55	22%	-	-	In PY IECCL was planning to submit a claim with the client. Due to foreclosure of the project after ILFS Episode, provisioning was considered.
15	Bidar - Humnabad16	0.61	1.08	100%	-	-	It is ITNL Project. Due to extra ordinary event having occurred in the ILFS Group, which affected the realisability adversely. Hence the provision considered.

16	Hillcounty	2.03	0.54	27%	✓	-	This is group receivable, due to extra ordinary event having occurred in the ILFS Group, which affected the realisability adversely. Hence the provision considered.
17	Anand Vilas	18.9	0	0%	✓	-	After scrutiny of the respective projects CTCs, the impact was considered in the revised CTCs, except for DLF and Orchid Heights. For DLF Project IECCL has invoked arbitration.
18	BMP Sholapur	37.34	0	0%	✓	-	
19	DLF Road Project	-4.84	0	0%	✓	-	
20	Gurgaon Hills	27.45	0	0%	✓	-	
21	Mahendra	9.22	0	0%	-	✓	
22	Orchid heights	10.65	0	0%	✓	-	
23	Palm Garden	3.65	0	0%	✓	-	
24	Villas Marbella	38.26	0	0%	✓	-	
	Total	1,537.48	727.93	47%			

GT OBERSEVATION	IECCL RESPONSE	GT ASSESSMENT
<p>3 Potential anomalies with respect to claims recognized in the books of accounts: IECCL raises claims on its clients/customers for additional work procedures or price escalations to execute the projects and the same is recognised as contract revenue in the books of accounts of IECCL. During the Review Period, it was noted that IECCL had recognised claims of INR 559.57 crs in the books of accounts. Based on our review of the accounting policy of IECCL with regard to claim management, it was noted that such claims should form a part of the contract revenue only when:</p> <p>a. Negotiations have reached an advanced stage such that it is probable that the customer shall accept the same; and b. The claim shall be accepted by the customer and can be measured reliably.</p> <p>• Potential instances which indicate a delay in writing off claims recognized in books of accounts of IECCL.</p>	<p>• The stated claim accounting policy of IECCL as mentioned in the Annual Report is as under: Claims in the contract works are included in contract revenue only when:</p> <p>a) Negotiations have reached to an advanced stage (which is evidenced on receipt of favorable arbitration award, Acceptance by customer, other probability assessments, etc.,) such that it is probable that customer will accept the claim; and b) The amount that is probable will be accepted by the customer and can be measured reliably</p> <p>The Claims have been recognized under the above policy on the basis of work done, arbitration award, extension of time, acceptance by customer etc.</p> <p>The mail communication mentioned by GT was just an internal communication from team member of CFOs team to the CFO, mentioning the most likely realizable value of the claim. But recognition of claims in the books were not made on internal assessment, but by way of computation by external Techno-Legal expert. It may be noted that AS 17 and AS 19 projects mentioned in the table were realized in 2018-19 on the basis of settlement entered into with NHAI.</p> <p>• The claims were written off during FY 19 in view of the assessment of current management towards recoverability of such claims basis extra ordinary event having occurred in the ILFS Group, which affected the realisability adversely. Project wise justification has been explained in below table.</p>	<p>Basis our observations and assessment of the responses received from representatives of IECCL as discussed in GT comments above, we have taken into consideration that the claims are recorded basedon the techno legal opinion; however, no comments have been provided on the discussion between the then KMPs of IECCL which does highlight the issues with regard to claims raised by IECCL.</p>

#	Sector	Project	Reason for considering in FY 19	Reason for not considering in Previous Years	GT ASSESSMENT
1	Roads	Assam-17	IECCL entered into settlement of award receivables with NHAI in 2018-19. Based on the settlement, carrying value was duly adjusted in the books.	Based on the Techno legal opinion from the independent expert, the claim accounted and Retained in the books of accounts.	
2	Roads	Assam-19			
3	Roads	BDA	Fully realized, no provision or write off	Fully realized, no provision or write off	
4	Roads	DLF	No Provision or write off proposed	No Provision or write off proposed	
5	Roads	Nagaland	Write off is in line with arbitration award received	Based on the Techno legal opinion from the independent expert, the claim accounted and retained in the books of accounts	
6	Railways	RMRG-II	Amount cannot be recovered due to extra ordinary event having occurred in the ILFS Group, which affected the realisability adversely.	IECCL has submitted the claim of Rs. 67 Cr on ITNL, for which client has replied that the claims is under consideration	
7	Railways	KMR	The Project was Terminated during the year due to extra ordinary event having occurred in the ILFS Group, which affected the realisability adversely.	In the previous years the project is in active stage and based on the Techno legal opinion from the independent expert, the claim accounted and retained in the books of accounts	
8	Oil & Gas	ISPRL	Client has rejected the claim, hence proposed for provisioning but we are filling for arbitration.	Based on the Techno legal opinion from the independent expert, the claim accounted and retained in the books of accounts and final bill has been submitted post Mar-18.	
9	Irrigation	Polavaram	Due to de scoping of work write-off is proposed against claims booked earlier	Based on the GO of the Govt claims has been recognized	
10	Irrigation	Lingala			
11	Irrigation	Tadipudi			

GT OBERSEVATION	IECCL RESPONSE	GT ASSESSMENT
<ul style="list-style-type: none"> <u>Interest on claims recognised in books of accounts reversed</u> Based on the review of the financial statements of the FY 2018-19, it was noted IECCL had written off the interest on claims amounting to INR 187.00 crs which were recorded in earlier years. Further, as per the management assessment, the interest on claims was written off after considering the ability of the parties to pay the dues, the probability of obtaining the certifications, and the financial strengths of the entities. Potential anomalies with regards to sale and leaseback transaction between IECCL and IL&FS Transportation Networks Limited ('ITNL') 	<ul style="list-style-type: none"> Reversal of Interest on claims has been done in line with the Arbitration Award received in FY 19 and also GT has mentioned that, reversal of Interest of HCPL was Rs.11 Cr, in the discussions we have informed to GT Team that, the HCPL interest was on ICD not on claims. 	

GT OBERSEVATION						IECCL RESPONSE					GT ASSESSMENT																																													
<p>4. Instances where contracts were awarded to vendors who had potential nexus/conflict of interest with the employees of IECCL</p> <ul style="list-style-type: none"> As per the Human Resource Departmental Manual of IECCL, it was noted that the employees should declare any business or other external interests that have a real or perceived conflict of interest to IECCL. Based on the review of the vendor and employee masters of IECCL, that the following was noted: Instances, where the vendors and employees had common Know Your Customer ('KYC') details. IECCL had awarded contracts to / availed services from the said vendors at or about the time when the employees who had common KYC were on payroll of IECCL. <p>The below table provides details of the instances identified:</p> <table border="1"> <thead> <tr> <th>#</th> <th>Name of the Employee</th> <th>Designation of Employee</th> <th>Name of the vendor</th> <th>Common KYC details</th> <th>Amount (INR in crs)</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Manas Bourtomuly</td> <td>General Manager– Project Management</td> <td>M/s. MHDC</td> <td>PAN and address</td> <td>1.16</td> </tr> <tr> <td>2</td> <td>Swapn Deb</td> <td>Senior-Vice President– Power Sector</td> <td>Engorithm Tech Private Limited ('ETPL')</td> <td>Address</td> <td>0.60</td> </tr> <tr> <td>3</td> <td>Ashok Almel</td> <td>Officer – Finance and Accounts</td> <td>M/s. Ashok Almel</td> <td>PAN and address</td> <td>0.10</td> </tr> <tr> <td colspan="5">Total</td> <td>1.86</td> </tr> </tbody> </table>						#	Name of the Employee	Designation of Employee	Name of the vendor	Common KYC details	Amount (INR in crs)	1	Manas Bourtomuly	General Manager– Project Management	M/s. MHDC	PAN and address	1.16	2	Swapn Deb	Senior-Vice President– Power Sector	Engorithm Tech Private Limited ('ETPL')	Address	0.60	3	Ashok Almel	Officer – Finance and Accounts	M/s. Ashok Almel	PAN and address	0.10	Total					1.86	<ul style="list-style-type: none"> Mr. Swapn Deb's case has duly been highlighted to the new Board by the current Management and his Full and Final has been withheld. Please find below employment details of Ashok Almel: From 1st August'14 he is on permanent rolls. However, transaction pertains to 2009- 2010 period <table border="1"> <tbody> <tr> <td>May-06</td> <td>to</td> <td>Nov 2007</td> <td>KANPUR</td> <td>Temporary roll – Site Appointee</td> </tr> <tr> <td>Nov-07</td> <td>to</td> <td>Dec 2013</td> <td>KERELA</td> <td>Temporary roll – Site Appointee</td> </tr> <tr> <td>Dec-13</td> <td>to</td> <td>Jul-14</td> <td>ORCHID</td> <td>Temporary roll – Site Appointee</td> </tr> </tbody> </table>					May-06	to	Nov 2007	KANPUR	Temporary roll – Site Appointee	Nov-07	to	Dec 2013	KERELA	Temporary roll – Site Appointee	Dec-13	to	Jul-14	ORCHID	Temporary roll – Site Appointee	<p>Based on our findings and response received from the representatives of IECCL, our assessment remains unchanged.</p>
#	Name of the Employee	Designation of Employee	Name of the vendor	Common KYC details	Amount (INR in crs)																																																			
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GT OBERSEVATION			IECCL RESPONSE				GT ASSESSMENT
5. Observation on Udayasamudram project:							<p>While GT noted the responses of representatives of IECCL in relation to GTs observations on data limitations; however, GT requests representatives of IECCL to kindly refer GTs comments for 'limitations with regards to data shared' (ref: Heading 1 of this report) to avoid reiteration of data limitation in our report. GT's observation was on the premise of various anomalies concerning potential indications of favoritism by IECCL towards Sunbeam and potential lapses in the internal control process of IECCL in relation to the Udayasamudram project. Further, it is important to note that the case has been referred to EOW and the same is under process</p>
#	Particulars	Data Status	#	Particulars	Data Status	IECCL Reply	
1	Budgets at the time of bidding the contract	✘	1	Budgets at the time of bidding the Contract	✘	B2B contract with Fixed Margin, hence not applicable.	
2	Contract or Agreement between IECCL and Clients	✓	2	Contract or Agreement between IECCL and Clients	✓		
3	AS-7 workings for revenue recognised in the books of accounts	✘	3	AS-7 workings for revenue recognized in the books of accounts	✘	Please refer the replies in Point No.1	
4	Bidding documents for contracts awarded by IECCL	✘	4	Bidding documents for contracts awarded by IECCL	✘	This is B2B Project, Client Agreement Conditions are Applicable to Subcontractor, no separate documents issued. Client Bidding documents provided in FTP	
5	Detailed party-wise cost/expenses incurred to execute the project	✘	5	Detailed party-wise cost/expenses incurred to execute the project	✘	Since it is B2B project, YOY trail balance was provided in which cost available.	
6	Work completion certificates / Physical Progress reports	✘	6	Work completion certificates / Physical Progress Reports	✘		
7	Project wise trial balance	✘	7	Project wise trial balance	✘	Please refer the replies in Point No.1	
8	Vendor wise trial balance / Ledger of the vendors	✘	8	Vendor wise trial balance / Ledger of the vendors	✘	Please refer the replies in Point No.1	
9	Year on year cash flow statements of the project	✘	9	Year on year cash flow statements of the project	✘	This is B2B Project, Not Applicable	
10	Details of claims raised to the clients	✘	10	Details of claims raised to the clients	✘	Has been uploaded in ftp Now	

Potential Anomalies as identified during review of Internal Audit Reports:

- Substantial amount of advances released along with normal payment:
- Amendment in Clause pertaining to additional security deposit collected from Sunbeam.

- Anomalies in Processing of Invoices:

- Relaxation provided to subcontractor under the terms of RA bill payment
- Thus, based on the review of Internal Audit Reports, it appears that:
- There was potential favoritism towards Sunbeam as IECCL had provided a considerable relaxation to Sunbeam with regard to the payment terms and conditions. Further, substantial advances were released to Sunbeam without obtaining any security or collateral.
- There were lapses in the internal control of IECCL with respect to onboarding and payment to being made to the vendors.

- Approvals of MD & others are there. However Internal Audit team never shared with Irrigation sector and directly submitted to the Board. Replies and all the documents submitted to EOW also. One hearing of EOW also held. No lapse found so far.
- As per Supplementary agreement dated 13th Feb'17 was signed by CEO S. Ramachandran, which specified, "The amounts withheld from subcontractor RA bills so far by way of Additional Security Deposit and amounts from future RA bills of subcontractor shall be adjusted towards advances given to subcontractor for purpose of calculation of interest."
- There is no mollified intension in creating 2 vendor codes as mentioned in the report. Both vendor codes are correct and one was for site13839 and the other 10331 was for HO. However site accountant mistakenly credited RA Bill 27 in vendor code 13839 but at HO regularly RA BILL 27 passed in vendor code 10331. After 4 days this was identified and this entry was reversed with debit note within a week ie in 2014 itself. There are no two RA BILLS and no two entries. Till 01-Apr-12 there was no oracle system/entry in IECCL. However cumulative payment upto 01-Apr-12 for M/s Sunbeam was Rs 14.02 . As the system used from 2012, for the purpose of continuing oracle system entries, this was entered by IT department. This is only for oracle entries. There is no singly bill/ single payment of Rs 14.02cr.
- Relaxation in payment term was given to keep the project going on in spite of losses and to complete the project at the earliest. However we have never used the relaxation in payment terms clause while giving payment to M/s Sunbeam. we have paid only after getting payment from the client and paid after 10 days of bill received from client.
- All the documents pertaining to these anomalies provided to EOW also. There was no favoritism to any vendor. In the interest of the progress of work only.
- There are proper approvals prior to the payments made to the vendors. All the documents provided to EOW also.

GT OBERSEVATION	IECCL RESPONSE	GT ASSESSMENT
<p>6. Unidentified transactions recorded in the books of accounts</p> <ul style="list-style-type: none"> As per the review of the books of accounts, it was noted that certain unreconciled transactions were recorded under the heading 'Advance to Supplier (Domestic)'. Further, it was noted that the total sum of debit and credit under the above head amounted to INR 17.80 crs and INR 13.52 crs respectively. These transactions were recorded for the unreconciled transactions and further no particulars/party names were mentioned on the said transactions. Based on clarification dated 14 December 2019 received from the representatives of IECCL, we were informed that the said transactions were in the nature of loans and advances or balances with vendors. However, no other details pertaining to the said records were available with them or provided to us for our review purposes. Thus, it appears that unreconciled transactions or transactions for which no details were available were recorded under the heading 'Advance to Supplier (Domestic)' whose aggregate value was INR 31.32 crs. 	<ul style="list-style-type: none"> In FY 13 the old ERP system was migrated to new Oracle ERP. There were migration entries from earlier Site ERP System to Oracle ERP. These entries were provided as trial balance which was uploaded in GL. Later, it seems that in 2014-2015 sub-ledger and GL matching exercise was carried out under the guidance of Group CTO. Wherever vendors could not be identified, those were shifted from GL to Sub-ledger (AP) under unidentified vendor so that GL and Sub-Ledger details match. The Current management is not aware of transactions in un-identified vendor. Further, there are un-identified liabilities also of similar amount in ERP. However GT team has considered only one leg. 	<ul style="list-style-type: none"> Representatives of IECCL in the responses themselves have stated that they are unable to identify the vendors. Further, it appears unusual that despite seven years that have passed since the ERP migration, the said ledger of "Advance to Supplier (Domestic)" remained unreconciled. Thus, our observation pertains to a reconciliation of unreconciled advances to unidentified suppliers, which did not appear to be appropriately addressed

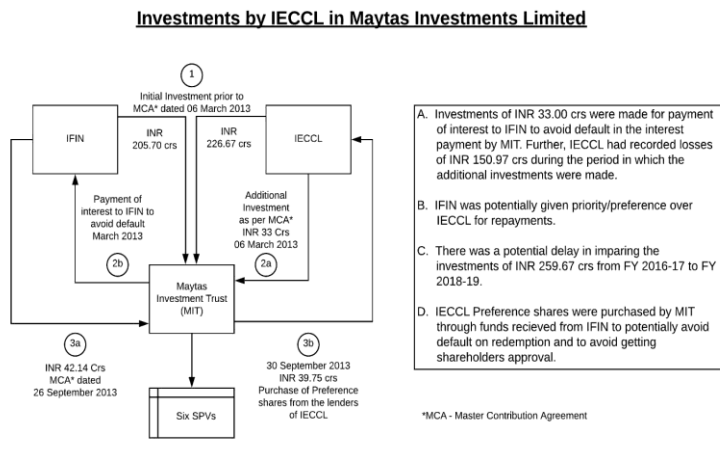
GT OBERSEVATION

7. Potential anomalies pertaining to investments made in Maytas Investment Trust

- IECCL appears to have no basis for making additional investments in MIT
- Additional investments were made in MIT when IECCL was under financial stress
- IFIN was provided potential priority/preference over IECCL in redemption/repayment
- Delayed impairment of the investments in MIT

Diagrammatic presentation of potential anomalies identified:

The below chart provides a diagrammatic presentation of the findings noted in investments made by IECCL in Maytas Investment Trust:



8. Potential anomalies pertaining to investments made in Maytas Infra Saudi Arabia Company.

- Potential issues in going concern status of MISA
- Potential anomalies in the audit report of MISA
- Potential financial and operational issues in MISA

IECCL RESPONSE

The MIT structure was put in place as part of the Corporate Debt Restructuring undertaken after the Satyam fiasco when IL&FS stepped in as the Promoter as per the CLB Order. Accordingly, 9 SPV Investments of erstwhile Maytas Infra Limited (now IECCL) were transferred to MIT and PTCs were issued to the Lenders of IECCL with the SPVs as the underlying investment. Rs.575crs were put in by the Lenders in MIT which was paid by MIT to IECCL for purchase of the Investment which in turn was utilized by IECCL to reduce the loans on its books. The underlying assets were to be monetized and exit was to be given to the Lenders. As the monetization of the SPVs did not materialize IL&FS, as promoter had to step in by infusing the required capital to give exit to the Lenders. Accordingly, IFIN, IECCL and IEDCL contributed to MIT to take over the Investments of Lenders. The PTCs were interest bearing with maturity in Sep'12. IEDCL was given an exit by way of sale of 3 Power SPVs.

Again, the monetization did not materialize. It was, then decided to convert the PTCs from interest bearing to participative. To give effect to the structure Rs.33crs. were infused by IECCL and the PTCs were converted to participative instead of interest bearing. As the entire structure was to help IECCL stand back on its feet priority of cash flows to IFIN was defined in the deed.

The relevant Note (unsigned) as found in earlier CFO's data folder is attached.

Present Management being unaware of the discussions mentioned in the email on the developments on MISA, is unable to comment.

GT ASSESSMENT

- The responses provided by the representative of IECCL provides clarification on the investment made in MIT. However, our anomaly pertained to the potential delay in the impairment of the investment in MIT, which was not addressed by the representatives of IECCL

- Thus, based on our findings and response received from the representatives of IECCL, our assessment remains unchanged.

The below observations have also been made by GT for which IECCL has prepared a response. However, since the below items are considered as non-critical the same has not been presented in detail:

1. Bank Book/Bank Statements
2. Advance paid to Vadaraj
3. Fake/dummy purchase orders
4. Discrepancies in vendor master
5. Multiple whistle bowler complaints
6. Vinati Infratech.
7. GST
8. Non- Compliance with statutory regulations.
9. Lapse in internal controls.
10. Sale and Lease Back Transaction.
11. Specific project related queries.
12. Anomalies in disclosure of related party transaction.
13. Potential anomalies in appointment of statutory auditors.
14. Transaction with entities which were classified as shell companies by MCA.
15. Other potential anomalies related to sub-contractor.
16. Potential anomalies noted in the contractor awarded to skylark infra.



Project Icarus

Report on Forensic Audit of IL&FS Engineering and Construction Company Limited ('IECCL')

This Report is issued based on approx. 40% of the data available with IECCL and provided to us. Further, it needs to be noted that project related data constitutes nearly 80% of the total costs incurred by IECCL and formed a critical part of our review. However, only 22% of such critical data is available with IECCL and the same is provided to us. Additionally, for none of the projects all the key information was available which provides assurance on the completeness of information, thereby reducing our ability to conduct a comprehensive analysis of projects. The above status is based on the email shared with us by the representatives of IECCL on 07 October 2020.

Private and Confidential

06 May 2021

Table of Contents

1.	Limitations with regard to data shared	3
2.	Introduction	31
3.	History of IECCL	33
4.	Procedures performed	37
5.	Summary of observations	42
6.	Observations.....	44
7.	Limitations and disclaimers	137
8.	Glossary	140
9.	List of individuals noted in the email conversations.....	143
10.	Annexures.....	146

1. Limitations with regard to data shared

Overall data status:

- We had shared a list of data requirements to perform the special audit of IECCL via email dated 13 June 2019. During the period 13 June 2019 to 07 October 2020, there were multiple rounds of discussions and email correspondences with the representatives of IECCL pertaining to data required to perform the special audit. However, insignificant information was shared during the said period.
- Summary of the challenges faced towards preliminary understanding, gathering, and collection of data:
 - We had shared our initial data requirement list with the representatives of IECCL on **13 June 2019**. Between **June 2019 to January 2020**, we had received only 25-30% of data despite multiple follow-up emails sent to IECCL.
 - On **26 February 2020**, upon discussion with the representatives of IECCL (KR Khan - CEO, Naveen Agarwal - CFO) on the data status and requirements, it was agreed that only 30% of the data was made available for review to date and data status would be provided by IECCL with emphasis on identifying the data which can be/ cannot be provided. The representatives of IECCL had informed us that majority of data was archived/stored and maintained by a Record Management Agency ('RMA'), and the same was to be retrieved and thereafter will be made available for our review. During the period **March 2020 to June 2020**, we had continuously followed up for the pending data; however, no significant data was shared with us, and we were informed that the data retrieval process from the RMA was hampered due to nationwide lockdown.
 - On **14 July 2020**, in a meeting held with the representatives of IECCL, certain issues pertaining to Accounting System ('ERP') limitations were discussed. Further, it was also decided that IECCL will obtain confirmations from the sector heads regarding non-availability and the final status of the data requested. It was also agreed that all the available data would be provided by **07 September 2020**, and the final meeting would be scheduled for **11 September 2020**.
 - Multiple follow-ups were carried out with the representative of IECCL between **7 September 2020 to 6 October 2020** regarding the availability of the pending data; however, complete data as required to perform the special audit has not been provided to GT as on the date of this update.
 - On **07 October 2020**, a final confirmation from Naveen Agarwal – CFO was received stating that all the available data has been provided and no further data can be provided.

- It is to be noted that after more than a year of regular follow-up with the representatives of IECCL, approximately **40%** of the overall data requested was provided to us to carry out the work procedures. Below table summarizes the status of the data:

#	Areas	Weightage (A)	Data not provided ¹ (B)	Data provided (C)	Proportionate data provided (based on weightage) (AxC)
1	Projects (incl. contracts, signed budgets, the cost to company workings, progress reports, work completion certificates, RA bills workings, sub-contractor expense, revenue from operations, claims, etc.)	75%	70%	30%	22.50%
2	Balance Sheet (incl. treasury, investments, loans & advances, borrowings, receivables, payables, related parties, etc.) (excl. areas already covered in projects above)	10%	40%	60%	6.00%
3	Profit & Loss (incl. other revenue, legal & consultancy charges, professional fees, exceptional items, impairments, etc.) (excl. areas already covered in projects above)	10%	40%	60%	6.00%
4	Other areas (incl. corporate information, secretarial data, audit reports, minutes, management representations)	5%	20%	80%	4.00%
	Total	100%	-	-	~40%

Responses provided by the representatives of IECCL:

- “Out of 133 projects mentioned by GT, one project was amicably foreclosed, one project was not started, and seven projects are duplicate project codes were mentioned. So the remaining projects are 126 only. Below Table represents the status of data provided”.*

¹ Data not provided by virtue of data being not available/ not traceable/ not accessible/ not prepared.

Description	Status of data provided	%
Contract/Project agreements with Clients	Provided for 88 Projects out of 126	70%
Milestone workings/basis for computing RA bills / RA Bills back ups	Provided for 62 Projects out of 126	49%
Work completion certificates (internal/external)	Provided for 46 Projects out of 126. For 39 projects, completion certificates not applicable.	37%
Physical Progress Reports or any MIS which provides updates on project progress	Provided for 58 Projects out of 126	46%
Budgets(Initial/Revised)	IECCL has provided the budgets for 44 Projects. These 44 projects contributed a major portion of revenue during the review period of GT.	35%
AS-7 workings for revenue recognized in the books of accounts	However, we wish to highlight that UBR workings for all the financial years under the review period has been provided. In fact, the data in the UBR pertaining to AS-7 workings was discussed and explained to the GT team a number of times.	100%
Detailed party-wise of cost/ expenses incurred to execute the project	IECCL has informed that party-wise cost/expenses incurred is not feasible from existing ERP, but we have provided almost approximately 200 vendors ledgers, and access to the ERP system has been provided to GT to download the reports. However, cost break up head wise is available in YoY IECCL's financials, which we have shared with GT.	100%
Vendor wise trial balance	The said data were not available as such report cannot be generated through the ERP system	0%
Year on year cash flow statements of the projects	Company Level cash flow has been provided YOY, which was part of financials, project wise cash flow for 28 projects has been provided 100% and for 51 projects, cash flow partly provided	42%
Project wise trial balance	YOY project trial balance is part of financial which was provided to GT	100%

GT comments on responses provided by the representatives of IECCL:

- The below table summarizes the status of data provided as per the response provided by the representative of IECCL (on 126 projects) vis-à-vis as per GT (on 133 projects):

#	Description	IECCL (A)		GT (B)		Difference (A-B)		GT Comments
		No of Projects	%	No of Projects	%	No of Projects	%	
1	Contract/Project agreements with Clients	88	70%	51	38%	37	32%	While representatives of IECCL contend that data for 88 contracts/agreements were provided; however, as per data received and reviewed by GT, complete information was received for 51 contracts only. Further, significant data, i.e., information relating to contractual terms, schedule of payments etc., were not provided for 37 projects.
2	Milestone workings / basis for computing RA bills / RA Bills back ups	62	49%	62	47%	0%	2%	-
3	Work completion certificates (internal/external)	46	37%	37	28%	9	9%	In relation to 9 out of 46 projects, ancillary information such as experience certificates, reconciliation of final payments etc., were provided instead of requisitioned work completion certificates.
4	Physical Progress Reports or any MIS which provides an update on project progress	58	46%	27	20%	34	26%	For 34 projects out of 58, arbitrary information was provided on which the analysis cannot be performed.

#	Description	IECCL (A)		GT (B)		Difference (A-B)		GT Comments
5	Budgets(Initial/Revised)	44	35%	3	2%	41	33%	Only arbitrary revised CTC workings were provided for almost all the projects (41 out of 44 projects). Further, important details viz., a number of revisions, consistent information in relation to Budgets and respective revisions were not provided.
6	AS-7 workings for revenue recognized in the books of accounts	-	100%	-	0%	-	100%	It is important to note that only a spreadsheet was provided which contained a year-on-year summary of UBR/AS-7 workings. The said summary was editable as well as had no trail or supporting to justify the numbers in summary. Additionally, it did not include detailed and pertinent information concerning break-up of cost, revenue, billing etc.,
7	Detailed party- wise of cost/ expenses incurred to execute the project	-	100%	-	0%	-	100%	IECCL did not provide party-wise cost/expenses of all the vendors by quoting limitations in the ERP system. Further, in order to fulfil a different requirement, i.e. KYC details of the vendors for which a ledger of 200 vendors was provided. It is pertinent to note that the total number of vendors in the ERP system are 28995, and the data provided is less than 1%. Further, it was also informed multiple times that it is not feasible for GT Team to download the individual vendor ledger reports.

#	Description	IECCL (A)		GT (B)		Difference (A-B)		GT Comments
8	Vendor wise trial balance	0	0%	0	0%	-	0%	IECCL quoted ERP system limitations as a reason for not providing vendor wise trial balance.
9	Year on year cash flow statements of the projects	28	42%	19	14%	9	28%	Instead of providing the cash flow statements for the entire project cycle, IECCL could only provide data for part of the project period in at least 9 projects.
10	Project wise trial balance	-	100%	-	100%	-	-	-

GT assessment post responses provided by the representatives of IECCL:

- Based on the review of the responses provided by the representatives of IECCL, it appears that the incomplete information provided is also considered as provided by the IECCL team, and the same has been commented on in the above table. However, it is important to understand that during the forensic audit in order to identify an observation and establish a complete trail, a minimum set of information is required at each level which was not available with the IECCL team. Further, in their comments also they have mentioned that the complete information is not available with them, for ex. As per the IECCL team, the work completion certificate (#3) provided is 37%, which indicates that the other 63% is not available with them. Thus, our assessment with regard to data limitation remains the same.

Project data status and limitations:

- We had received only 22.5% of data pertaining to projects; for the pending 77.5% of the data, we have been informed by the representatives of IECCL that the data was either not available or traceable or accessible. IECCL being an EPC ('Engineering, procurement, and construction') company, the data pertaining to projects undertaken and/or executed, and thus critical/vital, and accordingly, a high weightage was provided in deriving the % of project-related data.
- We had requested data for the 318 projects executed by IECCL, out of which 133 projects were active/close/terminated during our review period. Further, it is to be noted that we had not received a complete set of documents for all the projects for our review.
- The below table provides details of 38 key projects (covering 75% of the total contract value of projects active as on 31 March 2018) for which complete underlying project-related data was not provided for our review (*pending/partly data provided is represented as 'x' in the below table*):

#.	Projects	Contract Value (INR in crs)	Budgets (Initial/ Revised)	Contract Agreement	AS-7 workings for revenue recognised in the books of accounts	Bidding documents for contracts awarded to Sub-Contractors ²	Detailed party-wise of cost/ expenses incurred to execute the project	Physical Progress reports ³	Project wise trial balance	Vendor wise trial balance/ Ledger of the vendors	Year on year cash flow statements of the project	Details of claims raised to the clients
1	Pranahita Chevella Pkg 7	1471.95	x	✓	x	x	x	x	x	x	x	NA
2	Patna Gaya Road Project	1232.82	x	x	x	x	x	x	✓	x	✓	NA
3	Kiratpur	1194.00	x	✓	x	x	x	x	✓	x	x	NA
4	Pune-Solapur	947.80	x	✓	x	x	x	x	✓	x	x	NA
5	Nagaland	711.38	x	✓	x	x	x	x	✓	x	x	x
6	Pranahita Chevella Pkg 8	686.59	x	x	x	x	x	x	x	x	x	NA
7	Birpur-Bihpur Road Project	676.62	x	✓	x	x	x	x	✓	x	x	NA
8	Orchid heights	675.84	x	✓	x	x	x	x	x	x	x	NA
9	Amaravati Chikali Road Project	587.77	x	✓	x	x	x	x	✓	x	x	NA
10	Dummugudem Pkg 5	579.38	x	x	x	x	x	x	x	x	x	NA

² Refer Point 5 on Documents for subcontracts awarded by IECCL in the below table for detailed status of data.

³ Refer Point 4 on Work completion certificates / Physical Progress reports in the below table for detailed status of data.

#.	Projects	Contract Value (INR in crs)	Budgets (Initial/ Revised)	Contract Agreement	AS-7 workings for revenue recognised in the books of accounts	Bidding documents for contracts awarded to Sub-Contractors ²	Detailed party-wise of cost/ expenses incurred to execute the project	Physical Progress reports ³	Project wise trial balance	Vendor wise trial balance/ Ledger of the vendors	Year on cash flow statements of the project	Details of claims raised to the clients
11	Pranahita Pack - 5	543.92	x	✓	x	x	x	x	x	x	x	NA
12	Nagpur Metro Rail Project	532.67	x	✓	x	x	x	x	✓	x	✓	NA
13	Assam 19	454.62	x	x	x	x	x	x	✓	x	x	x
14	WBSEDCL	445.87	x	✓	x	x	x	x	✓	x	x	NA
15	Dummugudem Pkg 4	441.92	x	x	x	x	x	x	x	x	x	NA
16	Hillcountry	430.50	x	x	x	x	x	x	x	x	x	NA
17	DLF Road Project	421.65	x	x	x	x	x	x	✓	x	x	x
18	Assam 17	393.55	x	x	x	x	x	x	✓	x	x	x
19	MEGA	379.84	x	✓	x	x	x	x	✓	x	✓	NA
20	Dummugudem Pkg 1	359.44	x	x	x	x	x	x	x	x	x	NA
21	Kolkata Metro Rail	358.76	x	✓	x	x	x	x	✓	x	✓	x
22	Assam-25	357.98	x	x	x	x	x	x	✓	x	x	NA
23	Palm Garden Project	355.72	x	✓	x	x	x	x	x	x	x	NA
24	Chennai Metro Rail Project	354.01	x	✓	x	x	x	x	x	x	✓	NA
25	Udayasamudram	330.62	x	✓	x	x	x	x	x	x	x	NA
26	BMRCL-2	295.35	x	✓	x	x	x	x	✓	x	✓	NA
27	RMRG-PHASE-II	289.32	x	✓	x	x	x	x	✓	x	✓	x
28	Ambedkar Nagar	287.93	x	x	x	x	x	x	✓	x	x	NA
29	Mangalore Pipeline Project	286.11	x	x	x	x	x	x	x	x	x	x
30	Tadipudi	282.68	x	✓	x	x	x	x	x	x	x	x
31	Dobhi Durgapur Pipeline Project	254.64	x	x	x	x	x	x	✓	x	x	NA
32	Bidar Humnabad Road Project	242.56	x	✓	x	x	x	x	✓	x	x	NA
33	West singhbhum	232.39	x	✓	x	x	x	x	✓	x	x	NA

#.	Projects	Contract Value (INR in crs)	Budgets (Initial/ Revised)	Contract Agreement	AS-7 workings for revenue recognised in the books of accounts	Bidding documents for contracts awarded to Sub-Contractors ²	Detailed party-wise of cost/ expenses incurred to execute the project	Physical Progress reports ³	Project wise trial balance	Vendor wise trial balance/ Ledger of the vendors	Year on year cash flow statements of the project	Details of claims raised to the clients
34	Reworks In-sahibganj	222.70	x	x	x	x	x	x	✓	x	x	NA
35	Villas Marbella	214.68	x	✓	x	x	x	x	x	x	x	NA
36	Polavaram	208.38	x	✓	x	x	x	x	x	x	x	x
37	BMP Sholapur	205.48	x	✓	x	x	x	x	✓	x	✓	NA
38	Gurgaon Hills Project	203.10	x	x	x	x	x	x	x	x	x	NA
	Sub-Total	18,150	75%									
	Total of all projects which were active or terminated, or foreclosed during the review period.	24,146	100%									

Responses provided by the representatives of IECCL:

- The below table highlights the summary of the responses provided by the representatives of IECCL:
- The verbatim response received is provided in Annexure 1 to the management comments:

#	Critical document required for project-related data	Provided	Not Provided / Partly Provided / Not Traceable / Not Available	Not Applicable	Remarks provided by the Representative of IECCL in Annexure 1.
1.	Budgets (Initial/ Revised)	19	8	11	As the project are B2B projects, data required for such projects are classified under "Not Applicable"
2.	Contract Agreement	32	6	-	-
3.	AS-7 workings for revenue recognized in the books of accounts	38	-	-	UBR workings for all the financial year under the review period has been provided. In fact, the data in the UBR

					pertaining to AS-7 workings was discussed and explained to GT team a number of times.
4.	Bidding documents for contracts awarded to Sub- Contractors	2	27	9	As the project are B2B projects, data required for such projects are classified under "Not Applicable"
5.	Detailed party- wise of cost/ expenses incurred to execute the project	-	38	-	The said data not be available as such report cannot be generated through ERP system.
6.	Physical Progress reports	4	29	5	As the project is closed / cancelled data required for such projects are classified under "Not Applicable"
7.	Project wise trial balance	38	-	-	Project wise Trial Balance is part of Financial which we have provided YOY.
8.	Vendor wise trial balance/ Ledger of the vendors	-	38	-	The said data not be available as such report cannot be generated through the ERP system.
9.	Year on year cash flow statements of the project	10	28	-	-
10.	Details of claims raised to the clients	9	-	29	Refer IECCL reply in respect of claims

GT assessment post responses provided by the representatives of IECCL:

- While IECCL provided best possible information requested by GT concerning above stated 38 projects; however, data/information provided by IECCL in part could not be considered as complete relevant information to conduct a comprehensive review, as discussed pertinently in preceding sections of this report. Hence, GT's assessment concerning data limitations remains unchanged.

- The below table provides a list of indicative work procedures and indicative potential anomalies that could be identified basis the availability of indicative critical documents of projects:

#	Critical documents of projects	Potential anomalies could have been identified if a complete set of documentation was made available for our review
1	<p>Budgets prepared at the time of bidding for contracts with clients and revised budgets</p> <p>Importance of budgets:</p> <ul style="list-style-type: none"> ▪ Understanding of the judgement undertaken by the management, such as projected cash flows, budgeted/estimated costs, profitability, escalation costs, the basis of arriving at contract value, etc. ▪ Actual costs are monitored with the budgeted/estimated cost to analyze the project progress. ▪ Revised budgets form the basis of revenue recognition as they are critical for verification of the unbilled revenue. <p>Data Status:</p> <ul style="list-style-type: none"> ▪ Initial approved budgets were provided for only 3 Projects out of a total of 133 projects during our review period. ▪ The workings/workpaper for the budgets provided did not include the detailed break-up of the estimated cost of the project. ▪ Thus, sufficient documents have not been provided for our review. <p>Indicative work procedures which could have been performed⁴:</p> <ul style="list-style-type: none"> ▪ Critical review of the actual cost vis a vis budgeted cost. ▪ Ascertain the reasons and justification for significant variance between the actual costs and budgeted costs. ▪ Understanding of Management approval(s) and justification(s) for any changes/ amendments to the 	<ul style="list-style-type: none"> ▪ Identification of areas where the costs were incurred, but no provision of the cost was made in budgets. ▪ Continuous revision in budgets to derive a higher percentage of work completed in order to recognize revenue in the books of accounts. ▪ Revisions/amendments in budgets without approval(s) and justification(s) from the management.

⁴ The work procedures mentioned are not exhaustive and are based on our forensic experience and expertise; subject to changes considering the dynamic nature of forensic assignments.

#	Critical documents of projects	Potential anomalies could have been identified if a complete set of documentation was made available for our review
	<p>initial/control budgets at the time of bidding for the contracts.</p> <ul style="list-style-type: none"> ▪ Analyse trends and patterns of specific components such as profitability, sub-contractor costs, labour costs, etc., and correlate the same with actual costs incurred. 	
2	<p>Contracts or agreements between IECCL and its clients:</p> <p>Importance of contracts or agreement:</p> <ul style="list-style-type: none"> ▪ Critical information such as contract value/escalation clauses, parties to the contracts, covenants, etc., for overall understanding of the projects are mentioned in the contracts/agreements. <p>Data Status:</p> <ul style="list-style-type: none"> ▪ Contract/agreement copies of 87 out of 133 projects (active/terminated/foreclosed) were provided for our review, and for the remaining 46 projects, we had been given an understanding that the contracts are either not available or not traceable and hence cannot be shared. ▪ Further, for 36 projects out of 87 contracts, only a few pages of contract/agreement copies were provided, and the critical clauses such as covenants, invoicing details, escalations, etc., were missing. <p>Indicative work procedures which could have been performed:</p> <ul style="list-style-type: none"> ▪ Review of the basis (i.e. milestones) on which invoices can be raised by IECCL to the client. ▪ Review of terms of payment by client and comparison of actual receipts with the projected fund flow. ▪ Review the terms of sub-contracting as per agreement with project authority and verification of the same with the agreement executed by sub-contractor 	<ul style="list-style-type: none"> ▪ Excess claims recognized in contravention of the terms of the agreement. ▪ Appropriate approval(s) relating to raising the invoice, escalation claims, termination of the project were not taken. ▪ Instances of approval(s) of Independent Engineers were not taken, where necessary. ▪ Instances of contravention of terms of the contract by subcontracting more than what is stipulated in the agreement.

#	Critical documents of projects	Potential anomalies could have been identified if a complete set of documentation was made available for our review
	<ul style="list-style-type: none"> ▪ Review of terms of escalation and comparison of the same with the claims recognized in the books of accounts. ▪ Review of terms related to the termination of the project. 	
3	<p>Details of cost/expenses incurred to execute the project</p> <p>Importance of cost/expenses incurred for the project:</p> <ul style="list-style-type: none"> ▪ The details of cost/expense incurred provide components of project cost like material, labour, subcontractor, overheads, etc. ▪ Identification of major parties to whom the contracts have been provided and the quantum of the contract entered with them. ▪ Expenses incurred in the project vis-à-vis the project revenue recognized. ▪ Expenses incurred in the project vis-à-vis physical work completion. <p>Indicative work procedures which could have been performed:</p> <ul style="list-style-type: none"> ▪ Identify the top vendors forming part of actual costs and thereafter reviewing the financial and operational capability of the vendors to execute the project. ▪ Review of supporting documents such as invoices, quotations, budgets, etc., of the top vendors as identified. ▪ Verify the vendors serving in multiple projects of the companies. ▪ Identify any vendor who has defaulted in one project has been awarded a contract in another project. ▪ Performing trend analysis on the rate at which the materials are purchased over the project period. ▪ Compare the project expenditure with the budgeted project cost. ▪ Review bidding documents to examine the selection of the L1 vendor. 	<ul style="list-style-type: none"> ▪ Potential conflict of interest of employees/directors of the company with the vendors and subcontractors. ▪ Whether the materials have been purchased at a rate higher than the market rate. ▪ Whether any preference has been given to any vendor who is already in default. ▪ Overcharging of the indirect overhead to the projects. ▪ Abnormal expenses incurred for projects which are stalled or terminated projects. ▪ Vendors with no experience or with low financial viability have been awarded the contracts.

#	Critical documents of projects	Potential anomalies could have been identified if a complete set of documentation was made available for our review
4	<p>Work completion certificates / Physical Progress reports</p> <p>Importance of work completion certificates / physical Progress reports:</p> <ul style="list-style-type: none"> ▪ The Physical Progress Reports assist the EPC companies to monitor the progress of the projects on a timely basis. ▪ The Final Work Completion Certificate is a document that provides the fact that the construction of the project is completed and also confirms that the project executed is in line with the terms mentioned under the contract agreement. <p>Data Status:</p> <ul style="list-style-type: none"> ▪ We had received the final work completion certificates of only 37 projects out of a total of 133 (active/ terminated/ closed) projects during our review period. ▪ Physical progress reports have been provided for only 27 projects out of a total of 133 (active/ terminated/ closed) projects during our review period. ▪ The physical progress report mentioned above has been arbitrarily provided for certain months. <p>Indicative work procedures which could have been performed:</p> <ul style="list-style-type: none"> ▪ Review of the financial progress as stated in AS-7 working of the projects vis a vis physical progress as per work completion/progress and thereafter carrying out the detailed analysis for the revenue recognized and expenses booked under the project to ascertain the deviations (if any). Vetting of the information such as the progress of the projects, any adverse news, reports as available in government databases through the public domain searches with the physical progress report/ work completion certificates provided. 	<ul style="list-style-type: none"> ▪ Potential close nexus of KMPs/ employees of the company with the appointed consultant/engineer for reviewing the physical progress of the project ▪ As per the books of accounts, huge expenses incurred on the project; however, no physical progress was made on the project. ▪ Perform trend analysis by review of yearly/monthly physical progress reports to identify instances of projects having/reflecting slow progress or declining/downward trends.

#	Critical documents of projects	Potential anomalies could have been identified if a complete set of documentation was made available for our review																										
5	<p>Documents for subcontracts awarded by IECCL:</p> <p>Importance of documents relating to sub-contractors–</p> <ul style="list-style-type: none"> ▪ To review whether the processes mentioned under the Standard Operating Procedures (‘SOP’) were followed or not while selecting the sub-contractors. ▪ Adequate/sufficient documents maintained while awarding the contract shall assist a company in the court of law in case of breach of any terms of the contracts. ▪ The contracts must be awarded on an L1 basis. However, in case of any deviation, a company should maintain the relevant justifications and appropriate approvals about the same. <p>Data Status:</p> <ul style="list-style-type: none"> ▪ We had requested the bidding related documents for all the contracts which were awarded by IECCL during the review period. ▪ However, the representatives of IECCL informed us that the documents could only be provided on a sample basis. ▪ Further, we rolled out a sample list consisting of 1400 vendors present in multiple projects of IECCL. (Since each vendor was involved in the multiple projects, hence the total samples rolled out were 2071) <table border="1" data-bbox="247 1512 957 1982"> <thead> <tr> <th rowspan="2">Sub-Contractor Samples (List 1 & 2)</th> <th colspan="2">Data Status</th> </tr> <tr> <th>Provided</th> <th>Not Provided</th> </tr> </thead> <tbody> <tr> <td><i>Bidding Related Details</i></td> <td>140</td> <td>1931</td> </tr> <tr> <td><i>Price Comparison</i></td> <td>121</td> <td>1950</td> </tr> <tr> <td><i>Management Approval</i></td> <td>225</td> <td>1846</td> </tr> <tr> <td><i>Agreement</i></td> <td>121</td> <td>1950</td> </tr> <tr> <td><i>Invoice</i></td> <td>825</td> <td>1246</td> </tr> <tr> <td><i>Purchase/Work Order</i></td> <td>650</td> <td>1266</td> </tr> <tr> <td>Average Data (%)</td> <td>(17%)</td> <td>(83%)</td> </tr> </tbody> </table>	Sub-Contractor Samples (List 1 & 2)	Data Status		Provided	Not Provided	<i>Bidding Related Details</i>	140	1931	<i>Price Comparison</i>	121	1950	<i>Management Approval</i>	225	1846	<i>Agreement</i>	121	1950	<i>Invoice</i>	825	1246	<i>Purchase/Work Order</i>	650	1266	Average Data (%)	(17%)	(83%)	<ul style="list-style-type: none"> ▪ Potential conflict of interest of sub-contractors with the company or potential linkages amongst the sub-contractors to whom the contracts were awarded. ▪ Potential financial assistance is given to the contractors in form of mobilization advances which is not in line with the main contract. ▪ Contracts potentially awarded to sub-contractors who were financially and operationally incapable to execute the scope of work. ▪ Adequate KYC details were not available, and yet the contracts were awarded to sub-contractors.
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#	Critical documents of projects	Potential anomalies could have been identified if a complete set of documentation was made available for our review
	<p>▪ As per the above status, only 17% of the requested data set has been made available for our review and for the remaining 83%, either the data is not available, not traceable, or not accessible.</p> <p>Indicative work procedures which could have been performed:</p> <ul style="list-style-type: none"> ▪ Carry out the walkthrough to ascertain whether the process as mentioned under the SOP related to the selection of subcontractors have been followed or not. ▪ Analyze the trends and preferences given in awarding the contracts. ▪ Critically review the justifications and management approvals notes for the contracts that were not awarded on an L1 basis. ▪ Review the performance evaluation reports, if any undertaken, and analyses the outcome of the same. ▪ Critically review the agreements with sub-contractors: <ul style="list-style-type: none"> ○ Who have inadequate financial and operational capabilities ○ Who is selected for multiple projects or to whom undue preference is provided during selection. ○ Who have poor performance evaluation during execution of past projects. ○ Who have raised invariably high escalation claims in the past projects. ▪ Review of the payments made to the sub-contractors. 	
6	<p>Project Trial Balance / Project Cash Flow</p> <p>Importance of Project Trial Balance / Project Cash Flow:</p> <ul style="list-style-type: none"> ▪ Project Trial Balance will provide us with year on year details of the revenue recorded, expenses incurred, 	<ul style="list-style-type: none"> ▪ Indicators of deficit of cash for operational activities; however, cash has been utilized for financial and investment activities.

#	Critical documents of projects	Potential anomalies could have been identified if a complete set of documentation was made available for our review
	<p>debtors outstanding, and party wise payable, which would help us analyze the trend and identify anomalies.</p> <ul style="list-style-type: none"> ▪ Project Trial Balance will help us identify the apportionment of head office /site expenses to the project. ▪ Project Cash Flow will provide us with the actual outflow and inflow of the cash and the net cash generated in the project. ▪ Project Cash Flow will provide us with year on year analysis of project cash utilized for other than operational activities. <p>Data Status</p> <ul style="list-style-type: none"> ▪ We had received complete cash flow working for only 19 projects and partial cash flow working for 36 projects out of a total of 133 projects during our review period. <p>Indicative work procedures which could have been performed</p> <ul style="list-style-type: none"> ▪ Review of revenue recognized vis-à-vis the cash inflow from the project. ▪ Adjustment entries recorded in the books of accounts bearing no financial or cash flow impact on the project. ▪ Identify the major assets and liabilities of the project in terms of receivables and payables. ▪ Performing year on year trend analysis on the receivable and payable balances. ▪ Review the cash flow vis-à-vis the bank statement to verify whether the cash flow recorded has been actually received. ▪ Identify cases where no cash inflow has been received in the project; however, expenses have been incurred. 	<ul style="list-style-type: none"> ▪ Revenue has been recorded in the books of accounts; however, there was no cash inflow. ▪ No provision for bad and doubtful debts was created, or a write-off has been made on long outstanding receivable and payable balances.
7	<p>Vendor Ledger Dump/ Vendor Transaction Dump</p> <p>Importance of Vendor Ledger/Transaction Dump:</p>	<ul style="list-style-type: none"> ▪ Potential close nexus of the vendors with KMPs/ employees of the company

#	Critical documents of projects	Potential anomalies could have been identified if a complete set of documentation was made available for our review
	<ul style="list-style-type: none"> ▪ The financial transaction entered with the vendors/ creditors of the company are reflected in the individual ledgers and as well as in the vendor transaction dump. ▪ The review of the ledger provides details such as the value of transactions, bank payments, reversals, instances of Invoices offsetting with other vendor debit notes, and credit notes. <p>Data Status:</p> <ul style="list-style-type: none"> ▪ Due to ERP limitation, as stated by the representatives of IECCL, we were not provided with the vendor transaction dump at the organization level. <p>Indicative work procedures which could have been performed</p> <ul style="list-style-type: none"> ▪ Review of High-value financial transactions entered with the vendors ▪ Carry out a detailed review of transactions with those vendors of which KYC details are not available ▪ Review the selected vendors' transactions to whom preference is given over other vendors for every project execution work ▪ Review the advances given to suppliers/ vendors who were not settled/adjusted against the supply of material or any procurement required to execute the project ▪ Examination of the procurement rate of the same item code ordered from various suppliers and identify the supplier from whom the procurement was done at high rates against the actual rate of the same item. 	<ul style="list-style-type: none"> ▪ Payments/ advances made to vendors who are under financial stress/ having liquidity issues and had breached the contract of supply of goods/services several times. ▪ Potential payments made to vendors for evergreening of loans or for carrying out circular transactions. ▪ Potential siphoning off funds by making payments to vendors that are appearing in the list of shell companies/ strike off companies as declared by MCA. ▪ Instances of Potential huge regular/advance payments made to vendors who are potentially directly or indirectly linked with entities of the company.
8	<p>Details of claims raised to the clients</p> <p>Importance of claims:</p> <ul style="list-style-type: none"> ▪ Claims are amounts raised to the client by IECCL over and above the contract price. 	<ul style="list-style-type: none"> ▪ Claims raised and recorded in the books are in contravention of the terms of the agreements between IECCL and its clients.

#	Critical documents of projects	Potential anomalies could have been identified if a complete set of documentation was made available for our review
	<ul style="list-style-type: none"> ▪ Claims recognized in the books form part of the revenue of the company. ▪ Claims raised with regards to the escalation clause or any specific clause as mentioned in the contract agreement. <p>Data Status:</p> <ul style="list-style-type: none"> ▪ Claims amounting to INR 559.57 crs spread across 11 projects were accounted for during our review period. ▪ We have been provided with techno legal opinion for the disputed claims; however, detailed working which supports the legal opinion was not made available for our review. <p>Indicative work procedures which could have been performed:</p> <ul style="list-style-type: none"> ▪ Review of the contract to verify whether the terms of the agreement allow cost escalation claims. ▪ Identify relations between the consultants that provide a legal opinion on the disputed claims and the employees of the company. ▪ Analyze the claims raised and recognized in the books of accounts vis-à-vis the profitability of the company during the year to check if the claims form a major part of revenue. <p><i>(Due to the absence of complete data pertaining to claims, we are unable to verify the detailed working of claims provided to the legal consultant based on which legal opinion is framed)</i></p>	<ul style="list-style-type: none"> ▪ Abnormal increase in profitability of Company in the year of recognition of claim. ▪ Interest on claims wrongfully recognized, which is not recoverable as per the terms of agreements.

Bank Statement and Bank Book status and limitation:

Challenges towards gathering and collection of data pertaining to bank books

- We had sent a requirement list related to bank books on **13 July 2019**, however during the period **13 June 2019 to 15 December 2019**, no data pertaining to bank books was provided to the GT team.

- In between **16 December 2019 and 13 November 2020**, regular follow-ups were conducted with the representatives of IECCL. During this period, we had received the bank books in parts. However, on review of the bank books received, we had highlighted multiple errors to the representative of IECCL post, which we were provided with multiple versions of bank books that were revised on the basis of our queries. Below is the summary of errors noted and highlighted :
 - Errors in the Dates, i.e. dates were appearing up till the year 2028;
 - Some transactions of the year 2012, 2014, and 2017 were appearing repetitively in each month of all the years of the bank book provided;
 - Differences in the closing balances on the basis of re-calculations of the bank book report;
 - No narration/party name against multiple transactions;
 - Mismatches in the party name and narrations against multiple transactions; and
 - Missing Offset accounts.
- Below table highlights the sequence of developments pertaining to the bank book from initiation of audit till the date of report:

#	Period	Remarks
1	13 June 2019 to 17 November 2019	<ul style="list-style-type: none"> ▪ GT Team had shared its data requirement list with the IECCL team on 13 June 2019. ▪ No data pertaining to bank books was received during this period.
2	18 November 2019 to 15 December 2019	<ul style="list-style-type: none"> ▪ GT team conducted an onsite audit from the corporate office of IECCL (Hyderabad). ▪ However, during this period also we were not provided with the required banking data.
3	16 December 2019 to 28 February 2020	<ul style="list-style-type: none"> ▪ During this period, we received bank books in parts. However, the following issues were highlighted in the same: <ul style="list-style-type: none"> ○ Errors in the GL Date, i.e. dates, were appearing up till the year 2028. ○ Incomplete bank book provided based on our comparison with the list of the bank accounts maintained by the IECCL.
4	01 March 2020 to 31 July 2020	<ul style="list-style-type: none"> ▪ Multiple follow-ups were carried out by the GT team to obtain the revised banking data.
5	01 August 2020 to 09 September 2020	<ul style="list-style-type: none"> ▪ After multiple follow-ups, the IECCL team provided the revised bank book. ▪ However, we noted that some transactions of the year 2012, 2014, and 2017 are were appearing repetitively in each month of all the years of the bank books provided.

6	10 September 2020 to 30 September 2020	<ul style="list-style-type: none"> ▪ IECCL had shared the revised bank book report. ▪ However, we again noted certain issues in the bank book as stated below, which were and the same was highlighted to the IECCL team: <ul style="list-style-type: none"> ○ Differences in the closing balances, when verified on verification through re-calculations of the bank book reports.
7	01 October 2020 to 04 November 2020	<ul style="list-style-type: none"> ▪ IECCL had shared the revised bank book report. However, in few transactions, we noted and highlighted the following issues: <ul style="list-style-type: none"> ○ No description/party name. ○ Mismatches in the party name and narrations. ○ No narrations.
8	5 November 2020 to 13 November 2020	<ul style="list-style-type: none"> ▪ For the above queries we received certain clarifications from the IECCL team, however on reviewing the same, following clarification were further sought from IECCL team : <ul style="list-style-type: none"> ○ Reason why transactions as appearing in the bank book reports were not in chronological order. ○ In case of transactions where party name was not appearing due to miscellaneous receipts, we requested IECCL team to provide ledger accounts for the transactions considered as miscellaneous receipts. ○ Missing Offset accounts
9	14 November 2020 to 02 December 2020	<ul style="list-style-type: none"> ▪ In response to the above-mentioned clarifications, the representative of the IECCL had shared the sample bank book report incorporating the offset party code/ the bank account number and category of transactions entered. However, upon review of the sample bank book report we again highlighted the below issues which are as follows: <ul style="list-style-type: none"> ○ Entries tagged as payment are in the nature of receipts in bank books ○ Entries under Miscellaneous receipts are showing entries of Cash withdrawal

- Out of the total 163 bank accounts maintained by IECCL, we had received a bank statement for 122 bank accounts. It is to be noted that complete bank statements are required to ascertain the completeness and accuracy of data in the bank books maintained by IECCL.

Responses provided by the representatives of IECCL:

#	Period	Remarks	IECCL RESPONSE	GT Comments
1	13 June 2019 to 17 November 2019	<ul style="list-style-type: none"> ▪ GT Team had shared its data requirement list with the IECCL team on 13 June 2019. ▪ No data pertaining to bank books was received during this period. 	IECCL didn't receive any requirements for bank books in Jun-19. We received request to create ERP IDs for GT team, which were created & provided to them with desired access in financial modules of IECCL ERP.	Point No 38 of IRL shared dated 13 June 2019 states, "General Ledger dump for Cash and all the Bank accounts for the review period."
2	18 November 2019 to 15 December 2019	<ul style="list-style-type: none"> ▪ GT team conducted an onsite audit from the corporate office of IECCL (Hyderabad). ▪ However; during this period also we were not provided with the required banking data. 	"GT team approached us to provide training in various functionality and data extraction from Oracle ERP System of IECCL, which were provided to their onsite team. GT team asked IT directly to provide various data like Customer master, vendor master, PO dump, bank book etc. We explained them and showed system as to how it can be extracted."	All through June 2019 till November 2019, GT's requisition for bank books was not met by IECCL. A separate email was sent to IT personnel of the client dated 21 November 2019 in regards to GT's requisition and non-responsiveness of IECCL on IRL data requests.
3	16 December 2019 to 28 February 2020	<ul style="list-style-type: none"> ▪ During this period we received bank books in parts. However, the following issues were highlighted in the same: <ul style="list-style-type: none"> ○ Errors in the GL Date, i.e dates were appearing up till the year 2028. ○ Incomplete bank book provided based on our comparison with the 	"Since bank book report was designed bank wise, GT team requested that they are unable to run so many bank report and requested our help to extract it. The reason for various iteration is as under - Since there are more than 150 banks, they requested us to extract the data financial year wise for all banks. We explained them the UAT requirements if data extracted through adhoc queries. GT team asked to	Bank Book was provided after the onsite visit of GT, but on review of said bank book, it contained Error in GL Date and were incomplete in covering all bank accounts. Further, an Explanation provided by IECCL on errors identified by GT due to UAT issue; however, the User acceptance Test is the Primary Requirement is of IECCL, and Not GT

		list of the bank accounts maintained by the IECCL.	provide the data and said they would compare it.” “This was mainly due to data extraction using adhoc queries as per requirements of GT team which wanted to provide data in single file for a Financial Year for all banks. Such anomalies are eliminated if user acceptance test is done which GT team had agreed to do.”	and no email communication was exchanged with regards to the same
4	01 March 2020 to 31 July 2020	<ul style="list-style-type: none"> Multiple follow-ups were carried out by the GT team to obtain the revised banking data. 	“There was no communication from GT after Feb-20 until Aug-20. “	The said above issue, as mentioned under point 3, was highlighted in Meeting held at IL&FS BKC Office dated 28 February 2020 and was noted in Minutes of Meetings under Point No 10. Post Circulation of minutes, Multiple Reminders were sent by GT during the period February 2020 to August 2020.
5	01 August 2020 to 09 September 2020	<ul style="list-style-type: none"> After multiple follow-ups, the IECCL team provided the revised bank book. However, we noted that some transactions of the year 2012, 2014, and 2017 are were appearing repetitively in each month of all the years of the bank books provided. 	“We received an email on 4th Aug 20 that some bank books were not received. Though those were already uploaded on their FTP folder, but were provided again.”	Subsequent to multiple reminders by GT during March 2020 till July 2020 and eventually in August 2020, revised bank books were provided to GT by IECCL. However, multiple report errors, wherein some transactions of the year 2012, 2014 and 2017 were appearing repetitively in each month of all the years of the bank

				books provided. It was confirmed by IT team of IECCL that the bank books were provided without proper User Acceptance Test (UAT).
6	10 September 2020 to 30 September 2020	<ul style="list-style-type: none"> ▪ IECCL had shared the revised bank book report. ▪ However, we again noted certain issues in the bank book as stated below, which were and the same was highlighted to the IECCL team: <ul style="list-style-type: none"> ○ Differences in the closing balances, when verified on verification through re-calculations of the bank book reports. 	“As explained earlier, data extracted using adhoc query without UAT may have such issues. Based on discussions, these were promptly corrected and provided to GT Team”	In September 2020 - post resolving issue said Revised Bank Book account wise reports were provided and not consolidated bank book financial year wise. On review of said individual bank book account's wise reports - GT noted differences in closing balance through re-calculation of the bank book reports, and same were highlighted to IECCL.
7	01 October 2020 to 04 November 2020	<ul style="list-style-type: none"> ▪ IECCL had shared the revised bank book report. However, in few transactions we noted and highlighted the following issues: <ul style="list-style-type: none"> ○ No description/party name. ○ Mismatches in the party name and narrations. ○ No narrations. 	“As explained earlier such anomalies are eliminated if data is provided after proper user acceptance test.”	In October 2020 - Revised bank book account wise reports were shared in which errors were highlighted by GT. However, on review of the said data at consolidated Level following issues were highlighted - No description/party name, Mismatches in the party name and narrations, No narrations

8	5 November 2020 to 13 November 2020	<ul style="list-style-type: none"> ▪ For the above queries we received certain clarifications from the IECCL team, however on reviewing the same, following clarification were further sought from IECCL team : <ul style="list-style-type: none"> ○ Reason why transactions as appearing in the bank book reports were not in chronological order. ○ In case of transactions where party name was not appearing due to miscellaneous receipts, we requested IECCL team to provide ledger accounts for the transactions considered as miscellaneous receipts. ○ Missing Offset accounts 	<p>“This was also happened as data was provided to GT using adhoc query which GT was supposed to check as per discussions. It was explained to GT team that since party name is not there, it can only be known once receipts are applied with customers”</p>	<p>In November 2020, based on the explanation provided to us on the above-mentioned issues, Further Queries were raised as follows - transactions as appearing in the bank book reports were not in chronological order, Party name was not appearing due to miscellaneous receipts, GT requested IECCL team to provide ledger accounts for the transactions considered as miscellaneous receipts, Missing Offset accounts. (Response by IECCL Team - to insert some extra columns in the report and asked us to provide a sample output)</p>
9	14 November 2020 to 02 December 2020	<ul style="list-style-type: none"> ▪ In response to the above-mentioned clarifications, the representative of the IECCL had shared the sample bank book report incorporating the offset party code/ the bank account number and category of transactions entered. However, upon review of the sample bank book report 	<p>“GT team requested to insert some extra columns in the report and asked us to provide a sample output so that they can review and let us know if that would be acceptable. But there was no further response from them.”</p>	<p>Based on the review of sample output shared following issues were highlighted. Entries tagged as payment is in the nature of receipts in bank books. Entries under Miscellaneous receipts are showing entries of Cash withdrawal.</p>

	<p>we again highlighted the below issues which are as follows:</p> <ul style="list-style-type: none"> ○ Entries tagged as payment are in the nature of receipts in bank books ○ Entries under Miscellaneous receipts are showing entries of Cash withdrawal 	<p>“It was explained to them that if any payment is cancelled same would be reflected in receipt column.”</p>	
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GT assessment post responses provided by the representatives of IECCL:

- During the period of the forensic audit of IECCL, i.e., June 2019 to December 2020, GT at multiple times highlighted various issues in the bank book reports provided by the representatives of IECCL. However, we never received a file that had no errors, thus restricting our capability to conduct work procedures on the bank book. Hence, challenges with regard to gathering and collection of data pertaining to bank books stated in the limitation section stand unchanged.

Other data status and limitation:

- The following reports/data have not been provided to us for our review due to Accounting System ('ERP') limitations:-
 - Vendor Transaction Dump;
 - Vendor Trial Balance;
 - Debtor Trial Balance; and
 - Loans and advances schedule report.
- Hence, we have not been able to perform any analysis on the above-mentioned data set.
- We have not been given complete trial balances of all the projects, and hence we have carried out our procedures based on the limited trial balances received to us.
- Documents pertaining to the closed/terminated projects have not been given to us for our review. Further, we were informed by a representative of IECCL that the physical documents have been packed in gunny sacks and stored in Godowns. Hence the said documents are either not traceable or not available for our review.
- We had rolled out samples for expenses pertaining to legal and consulting fees. We have not received any supporting documents pertaining to the same.
- We had carried out an analysis of Unbilled Revenue ('UBR') working, which were provided to us by the representative of IECCL. Further, documents supporting the workings such as initial budget, signed budget, Cost To Company ('CTC') working, etc., have been provided only to the extent of 25% of the requested data. For the pending data, the representative of IECCL had shared the status of the data as either not accessible or not available or not traceable. Hence, we had carried out a limited analysis of UBR workings based on the above data.
- We were informed by the representative of IECCL that there were no independent engineers appointed for verification of work done by sub-contractors, and verification is done by authorized employees of the company itself. Further, we were informed that bills raised by the subcontractor are reconciled with the work done by the subcontractor. However, both reconciliations and certifications were not provided to us for our verification.

GT assessment on the overall responses provided by the representatives of IECCL on data limitation:

- It is pertinent to note that while representatives of IECCL reinforced that requisite data available with them were provided for GT's review; however, GT's assessment concerning data/information is potentially concluded as follows:
 - Incomplete/insignificant information provided by representatives of IECCL, and the same were envisaged as relevant/complete data provided to GT.
 - Despite multiple follow-ups, complete data/information was not provided all through the period of engagement.

- Especially, concerning bank books, complete data including all relevant and essential information were not provided, despite requisition from GT in the IRL and subsequent follow-ups. Further, whatever limited data (concerning bank books) was provided, the same was not free from errors.
- Further, representatives of IECCL themselves have confirmed that whatever data/information available with them was provided for GT's review as per an email from representatives of IECCL dated 07 October 2020.
- It is pertinent to note that complete data set is required in order to conduct a forensic audit in a comprehensive manner. IECCL attempted to provide all the information which was available with them; however, the significant requested information was still not available with them or was not traceable, in the absence of which, ability to conduct a holistic review get restricted, thereby compelling GT to reiterate the data/information constraints faced during the review.

2. Introduction

2.1 Background

- IL&FS Group is an Indian infrastructure leasing and finance company that was founded in 1987 with equity from Central Bank of India ('CBI'), Unit Trust of India ('UTI'), and Housing Development Finance Corporation Limited ('HDFC') to fund infrastructure projects. Its central mandate is catalyzing the development of innovative, world-class infrastructure in India. IL&FS Limited is a core investment company and serves as the holding company of IL&FS Group.
- Infrastructure Leasing & Finance Services ('IL&FS') Limited has institutional shareholders including Life Insurance Corporation of India ('LIC'), ORIX Corporation of Japan ('ORIX') and Abu Dhabi Investment Authority ('ADIA'), and State Bank of India ('SBI'). As per the published financial statement of IL&FS Limited as on 31 March 2018, LIC and ORIX are the largest shareholders in IL&FS Limited with their shareholding at 25.34 % and 23.54%, respectively. The other prominent stakeholders include ADIA (12.56%), HDFC (9.02%), CBI (7.67%), and SBI (6.42%). As on 31 March 2018, IL&FS Group operates with at least 24 direct subsidiaries, 135 indirect subsidiaries, six joint ventures, four associate companies and has a debt of approximately INR 91,000 crs.
- Key areas of the Balance sheet of Consolidated Financial Statement of IL&FS Limited as on 31 March 2018:

Key areas of liabilities	Amount (INR in crs)	Key areas of assets	Amount (INR in crs)
Borrowings	91,091	Fixed Assets	51,297
Other liabilities⁵	15,392	Other Assets ¹	26,907
Shareholder funds and minority interest	9,331	Loans and advances	20,301
		Cash and cash equivalent	10,647
		Investments	6,662
Total	1,15,814	Total	1,15,814

- As per media reports, the IL&FS group, which has over INR 91,000 crs in debt, is facing a severe liquidity crisis. During the period July 2018 to September 2018, two of IL&FS Group's subsidiaries reported having trouble paying back loans and inter-corporate deposits to financial institutions/lenders. In July 2018, the road arm of IL&FS Group was having difficulty in making repayments due on its bonds.

⁵ Note:

- Other assets include receivables against service concession arrangements, goodwill on consolidations, deferred tax assets, other non-current assets, trade receivables, other current assets.
- Other liabilities include long term provisions, trade payables, other current liabilities, short term provisions.

- Further, in early September 2018, one of IL&FS Group's subsidiaries was unable to repay a short-term loan of INR 1,000 crs taken from Small Industries Development Bank of India ('SIDBI'). Also, the other group companies have defaulted in repayments of various short and long-term deposits, inter-corporate deposits, and commercial papers.
- Based on the directions issued by the Hon'ble National Company Law Tribunal – Mumbai ('NCLT') on 01 October 2018, a new Board of Directors ('BOD') was reconstituted under the chairmanship of Uday Kotak.
- Given the backdrop, the reconstituted Audit Committee of IL&FS Limited on behalf of the BOD, appointed Grant Thornton India LLP (now known as Grant Thornton Bharat LLP) via Engagement Letter ('EL') dated 28 January 2019 to conduct a special audit for all high-value transactions undertaken by IL&FS Limited and a few of its group companies for the period commencing from 01 April 2013 to 30 September 2018 ('Review Period').
- In conducting the forensic audit, GT has adopted a risk-based approach, focusing on the business areas and periods in which the most significant issues have been identified.

2.2 Scope of Work

- Based on the EL, the objective and scope of work of the assignment as approved by the Audit Committee for the Review Period (01 April 2013 to 30 September 2018), were as follows:
 - Identifying siphoning and/or misuse of funds, suspect transactions, and fraudulent transactions, if any and
 - Further, if siphoning and/or misuse of funds, suspect transactions, and fraudulent transactions are identified, then (to the extent possible):
 - Identify the modus operandi.
 - Identify and fix the responsibility; and
 - Quantify the financial loss suffered.

Note:

The transaction testing procedures are performed after taking into consideration the principles of materiality (importance – high-value transaction).

Refer to section 1, 'Limitations with regard to data shared' for data limitations

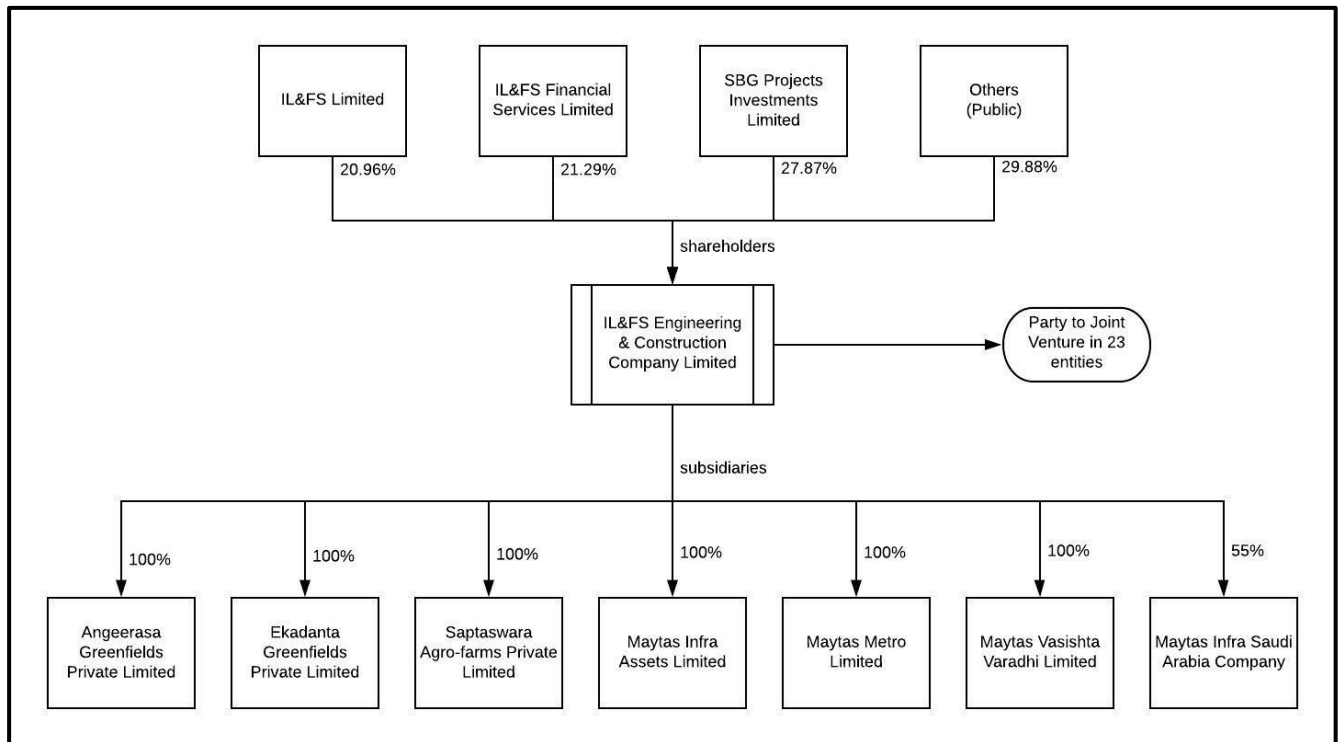
3. History of IECCL

- Maytas Infra Limited, an erstwhile part of the Satyam group, was incorporated on 06 May 1988. Later, in 2009, IL&FS Group had taken over Maytas Infra Limited based on approval from Company Law Board ('CLB').
- During the Financial Year ('FY') 2010-2011, Maytas Infra Limited was renamed IL&FS Engineering & Construction Company Limited ('IECCL' or 'Company').
- IECCL is a company listed on the Bombay Stock Exchange ('BSE') and National Stock Exchange of India ('NSE') and is subjected to various regulations laid down by the Securities Exchange Board of India ('SEBI').
- The shareholding pattern of IECCL across our review period is as follows (in %):

#	Shareholder Group	FY 2013-14 ⁶	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
1	IL&FS Limited	14.75%	16.14%	18.57%	20.96%	20.96%
2	IL&FS Financial Services Limited ('IFIN')	15.03%	16.45%	18.93%	21.29%	21.29%
3	SBG Projects Investments Limited	27.91%	32.59%	30.16%	27.87%	27.87%
4	Others	42.31%	34.82%	32.34%	29.88%	29.88%
	Total	100.00%	100.00%	100.00%	100.00%	100.00%

⁶ The financial statements were prepared for 18 months from 01 October 2012 to 31 March 2014.

- The diagrammatic presentation of the shareholding pattern of IECCL, details of its subsidiaries and joint ventures as on 31 March 2018* is provided as under:



*Financial statements for the half-year ended 30 September 2018 has not been received.

- The Company was involved in the business of infrastructure development, construction, and project management. It had majorly carried out projects in the following segments:
 - Roads including expressways and highways;
 - Buildings and industrial structures;
 - Irrigation, canals, and dams;
 - Railways and Airports; and
 - Thermal and hydel power plants.

- Key areas of the Consolidated Balance Sheet of IECCL as on 31 March 2018* is as follows:

Key areas of liabilities	Amount (INR in crs)	Key areas of assets	Amount (INR in crs)
Borrowings	2,643	Amount due from customers	1,896
Other liabilities⁷	1,237	Loans and advances	848
Trade payables	1,426	Trade receivables	761
		Investments	319
		Other assets ³	1,482
Total	5,306	Total	5,306

*Financial statements for the half-year ended 30 September 2018 has not been received.

- Key areas of the Profit and Loss statement of IECCL for the Review Period (01 April 2013 to 30 September 2018) is as follows (INR in crs):

Particulars	FY 2013-14 ⁸	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18*
Total income	4,149	2,900	2,266	2,097	2,146
Operating Income	3,991	2,783	2,132	1,906	1,869
Operating Expenses	3,836	2,585	2,337	1,752	1,713
Profit/(Loss) before tax	(136)	(22)	(435)	(49)	(21)
Profit/(Loss) after tax	(145)	(11)	(326)	(26)	12

*Financial statements for the half-year ended 30 September 2018 has not been received, and hence, for the above-mentioned table, we have considered details mentioned in the audited financial statements till 31 March 2018.

- Details of members of the audit committee of IECCL for the Review Period is as follows:

#	Name	Designation	FY 2013-14 ⁹	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
1	Ved Kumar Jain	Independent Director	✓	✓	✓	✓	x
2	Anil Kumar Agarwal	Independent Director	✓	✓	✓	✓	x
3	Arun Saha	Director	✓	x	x	x	x
4	Murli Dhar Khattar	Managing Director	✓	✓	✓	✓	x
5	Dhananjay Narendra Mungale	Independent Director	✓	✓	✓	✓	x
6	Akberali Mohemedali Moawalla	Alternate Director	✓	x	x	x	x
7	Mukund Sapre	Managing Director	x	x	x	✓	✓
8	Debabrata Sarkar	Independent Director	x	x	x	✓	✓
9	Ganapathi Ramachandran	Independent Director	x	x	x	✓	✓
10	Sutapa Banerjee	Independent Directors	x	x	x	✓	✓

⁷ Note:

- Other assets include fixed assets, deferred tax assets, inventories, cash & cash equivalents, other current & non-current assets.
- Other liabilities include shareholders' funds, other equity and liabilities, other current & non-current liabilities, and provisions.

⁸ The financial statements were prepared for 18 months from 01 October 2012 to 31 March 2014.

⁹ The financial statements were prepared for 18 months from 01 October 2012 to 31 March 2014.

- The details of the Board of Directors of IECCL for the Review Period is as follows:

#	Name of Director	Designation	FY 2013-14 ¹⁰	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
1	Hari Sankaran	Director	✓	✗	✗	✗	✗
2	Sundaram Srinivas Ranjan	Nominee Director	✓	✓	✗	✗	✗
3	Dhananjay Narendra Mungale	Independent Director	✓	✓	✓	✓	✗
4	El Mouhtaz El Sawaf	Director	✓	✓	✓	✓	✗
5	Anil Kumar Agarwal	Independent Director	✓	✓	✓	✓	✗
6	Ved Kumar Jain	Independent Director	✓	✓	✓	✓	✗
7	Kanika Tandon Bhal	Independent Director	✗	✗	✓	✓	✗
8	Alpa Ramesh Sheth	Independent Director	✗	✗	✓	✓	✗
9	Murli Dhar Khattar	Managing Director	✓	✓	✓	✓	✗
10	Ahmad Mohamad Dabbous	Additional Director	✓	✓	✓	✓	✓
11	Rajiv Sarin	Additional Director	✗	✗	✗	✓	✓
12	Saleh Mohammed A Binladen	Director	✓	✓	✓	✓	✓
13	Akberali Mohemedali Moawalla	Alternate Director	✓	✓	✓	✓	✓
14	Debabrata Sarkar	Independent Director	✗	✗	✗	✓	✓
15	Sutapa Banerjee	Independent Director	✗	✗	✗	✓	✓
16	Karunakaran Ramchand	Chairman	✓	✓	✓	✓	✓
17	Mukund Gajanan Sapre	Managing Director	✗	✗	✗	✓	✓

Responses provided by the representatives of IECCL:

- “This requirement was not part of IRL shared by GT; further Financials of IECCL being a listed entity are available on NSE website and also on IECCL website.”

GT comments on the response provided by the representatives of IECCL:

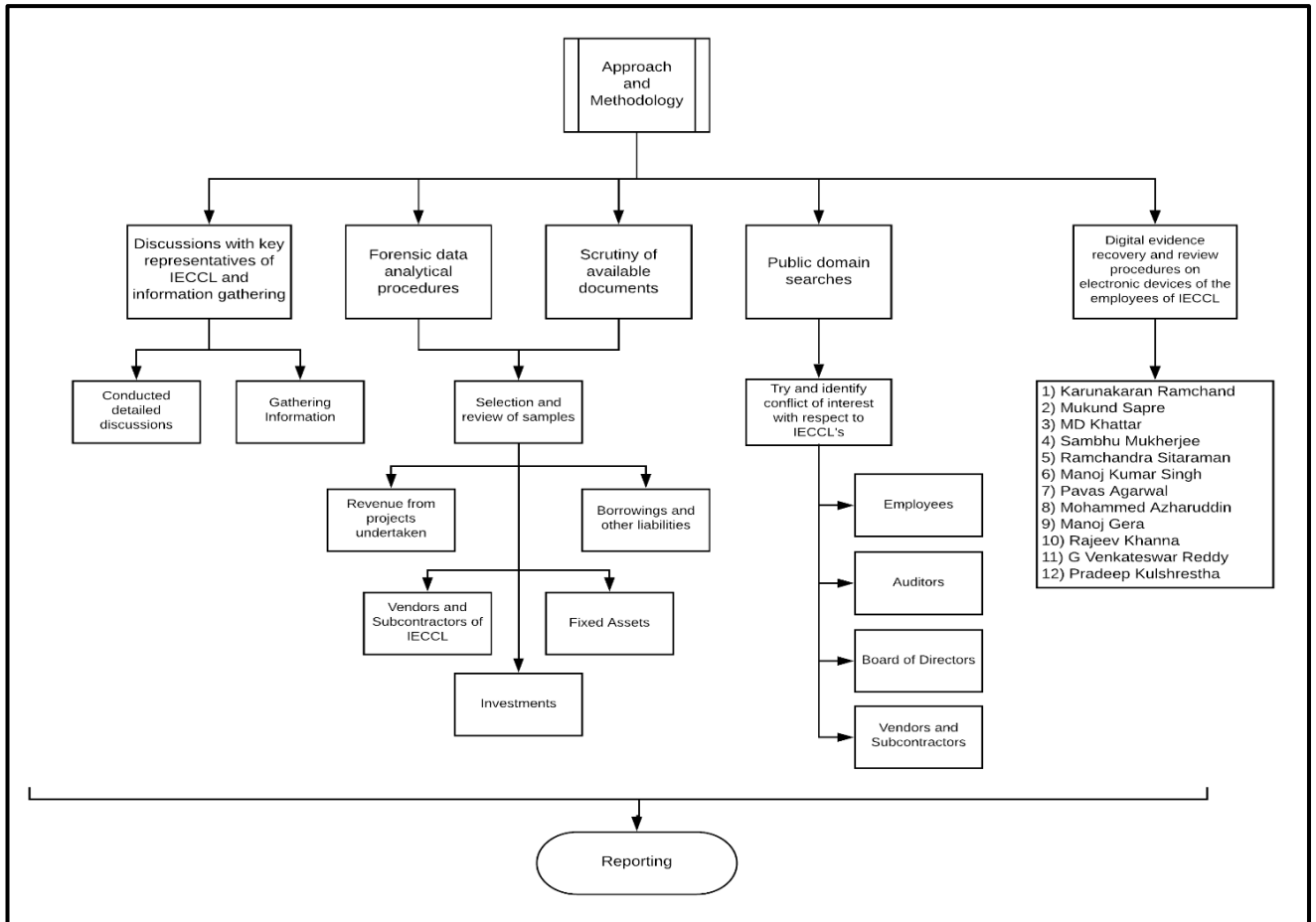
- The said requirement was covered under point no 11 of the Information Request List (‘IRL’) dated 05 October 2020, which stated that “Financial statements along with detailed groupings in spreadsheet format for the review period”. Further, the complete set of financial statements and groupings to trial balance are not available on NSE and IECCL websites.

¹⁰ The financial statements were prepared for 18 months from 01 October 2012 to 31 March 2014.

4. Procedures performed

4.1 Overview

- Diagrammatic presentation of approach and methodology followed to carry out the special audit of IECCCL is as follows:



4.2 Identification of data sources and data collection

- GT conducted in-depth discussions with the key representatives of IECCL to understand the policies, procedures, and practices concerning its operations.
- The following are the key representatives with whom we had conducted our discussions:

#	Name of key representatives of IECCL	Designation
1	Naveen Kumar Agrawal	Chief Financial Officer
2	Vinay Sood	Head of Finance & Accounts
3	Pradeep Bhattacharya	Head of Business Development and Estimation
4	Swapn Deb	Head of Power sector
5	Anoop Aggarwal	Head of Oil & Gas sector
6	Anurag Krishna	Head of Procurement
7	Naresh Penumetcha	Head of Risk management and Inventory
8	Jampana Veerraju	Company Secretary
9	GV Rao	Head of Railways and Building sector
10	Pradeep Goyal	Head of Human Resources and Admin
11	Dileep Agrahara	Head of Irrigation sector
12	Jitendra Tomer	Head of IT & Networking

- A thorough understanding of the organizational structure of IECCL was very critical in order to understand the following:
 - Business operations and sector-wise bifurcations;
 - Reporting structure or authority matrix; and
 - Identification of the functional as well as operational areas of IECCL.
- GT had also conducted an exercise to understand and to identify repositories of electronic data and sources of hardcopy documents potentially relevant to the forensic audit, including archives and back up of repositories.
- GT tried to obtain the data relating to each of the following however faced severe limitation which are referred to in Section 1 titled 'Limitations with regard to data shared'.

4.3 Forensic Data Analytics and Transaction Testing Procedures

- Based on our review of the books of accounts and data shared by the representatives of IECCL, it was noted that as on 31 March 2018, the key areas of the balance sheet were:

#	Key areas as per Balance Sheet	Amount (INR in crs)
1	Borrowings	2,643.39
2	Amount due from customers	1,895.53
3	Trade payables	961.09
4	Loans and advances	847.73
5	Trade receivables	761.44
6	Investments	318.91

Indicative work procedures based on the limited data which could be carried out for the above key areas:

Borrowings:

- Reviewed the credit facilities availed by IECCL and performed the fund trail analysis to identify its end-utilization.
- Reviewed whether the funds were utilized towards the purposes for which they were availed.

Amount due from Customers:

- Review of year on year Unbilled Revenue ('UBR') working and analysis of financial progress as stated in the above working in comparison with the physical progress as per work completion certificates/progress reports.
- Verification of the basis of computation of the percentage of completion.

Trade Receivables and Trade Payables:

- Conducted forensic data analytics and public domain searches on the master data to identify potentially indirectly linked entities.
- Performed ageing analysis on the customer/vendor balances to identify stale balances or unusual/exceptional transactions.
- Reviewed the justification provided towards the provisions created on the receivable balances. Also, critically reviewed the data pertaining to projects for which provisions were created.
- Performed transaction testing procedures such as the format of invoices, similar signatures, common address, etc., on the select transaction samples

Investments:

- We identified instances where substantial amounts were written off/provisions created and reviewed the money trail of the funds which were invested by the IECCL.
- Performed transaction testing procedures on the investments sold and acquired during the Review Period.

4.4 Public Domain Searches

- Based on the potential discrepancies/anomalies identified during the procedures mentioned above, we carried out searches to identify any adverse or conflicting information available in the public domain.
- We conducted public domain searches to understand the business operations capabilities and market presence of the vendors /parties to the extent possible.

4.5 Digital Evidence Recovery and Review Procedures

- We conducted a digital evidence recovery exercise on the electronic devices of the following employees and reviewed the information/data available on the same:

#	Particulars	Designation	Electronic Devices	Email files from servers
1	Ramachandran Sitaraman	Former Chief Executive Officer	✓	✓
2	Manoj Kumar Singh	Former Chief Executive Officer	x	✓
3	Mohammed Azharuddin	Former Vice President (Procurement)	x	✓
4	Pavas Agarwal	Former Senior Vice President (MD office)	x	✓
5	Pradeep Kumar Kulshreshta	Former Chief Technical Officer	x	✓
6	Manoj Gera	Former Vice President (Business Development)	x	✓
7	Rajeev Khanna	Former Vice President (Finance and Accounts)	x	✓
8	G Venkateshwar Reddy	Former General Manager (Secretarial)	x	✓
9	Karunakaran Ramchand*	Former Director of IECCL	✓	✓
10	Sambhu Mukherjee*	Former Chief Financial Officer of IECCL	✓	✓
11	Murli Dhar Khattar*	Former Managing Director of IECCL	✓	✓
12	Mukund Sapre*	Former Managing Director of IECCL	x	✓

Note: 'x' denotes instances where the imaging activity could not be performed as the said employees had left the Company and their devices were allocated to other employees. We have obtained the back-up of the data which was retained by the Company and performed our digital review procedures on the same.

**Note: Digital evidence recovery for the said custodian was carried out earlier, however, observations noted during the review of digital evidence has been considered in this Report.*

4.6 Responses provided by the representatives of the IECCL

- The representatives of IECCL have provided their responses to the observations identified during our review. The explanations/clarifications received from the said representatives are provided in verbatim under the heading 'Responses provided by the representatives of IECCL' after each observation.
- Further, we were informed that the explanations/clarifications provided by the representatives of IECCL are explanations/clarifications provided by employees who were present in the Company when the transactions were executed during the Review Period. These representatives continue to be

employees of the Company. However, such explanations have not been validated by the current Board of Directors ('BoD') of the Company and IL&FS Limited. They do not take any responsibility for the explanations provided by the representatives of IECCL.

- GT comments on responses provided by the representatives of IECCL means our comments are only restricted to the comments provided by the representatives of IECCL.
- GT assessment post responses provided by the representatives of IECCL means our assessment on the overall observation post the responses provided by the representatives of IECCL.

4.7 Reporting

- Based on the observations noted from the work procedures performed on the limited data available with the IECCL and after considering responses of the representatives of IECCL, we have prepared the Report.

5. Summary of observations

Data constraints

- As mentioned in the relevant section of this Report, approximately only 40% of the data is available with IECCL and has been received. Project-related expenses constitute nearly 80% of the total costs incurred and form a critical part of our review. However, only 22% of such critical data is available with the IECCL, and the same has been provided.
- Based on our understanding, for each project, there are certain key documents that help us in conducting our procedures and arrive at any assessment. For example:
 - Contract Agreements;
 - Budgets;
 - AS – 7 workings;
 - Bidding documents relating to sub-contractors, etc.

(For example/assumption – In the case of one of the projects, we are provided with only Contract Agreements, and for some other project, we were provided with a physical verification report.)

- Thus, for none of the projects, all the key information is available with IECCL, which can provide assurance on the completeness of information, thereby reducing our ability to conduct a comprehensive analysis of projects.

However, based on the work procedures performed on the limited information available to us, we have been able to identify certain key findings which are presented as follow:

Instances that appear to indicate potential misrepresentation of financial statements during the period when IECCL was facing severe liquidity issues:

Observation reference in the report	Financial Statement Area	Outstanding Balance as on 31 March 2018 (In INR crs)	Potential anomalies with regards to Financial Statement	Amount of the anomalies (In INR crs)
6.1	Investments	318.19	Potential delay in write-off in value of Investments even after being aware of the issues	292.86
6.2	Unbilled Revenue	1929.77	Potential excess recognition of unbilled revenue in prior years, written off in FY 2018-19	727
6.3	Claims		Potential excess claims recognized in the books of accounts over and above the actual probability to realisable the same	62.86
6.4	Fixed Assets	142.29	Structure of sale and lease back transaction to potentially book profit and avoid loss in the books of accounts	39.99

6.5	Borrowings	2634.39	Potential circular transactions undertaken to service the existing debts and interest thereon	1563.18
Total		5024.64	Total	2685.69

- Thus, based on all observations noted above, it appears that multiple areas of the financial statements of IECCL were potentially misrepresented.
- Potential anomalies with regards to purchases
 - Anomalies noted in purchases made during the review period such as significant advances provided to vendors was provided as bad and doubtful that too without receipt of goods, payments made to vendors, not in existence, shell companies, potential bogus purchases, potential issues in bidding, etc.
- Potential anomalies identified in the projects executed by IECCL
 - During our review, we had identified multiple whistleblower complaints, which highlighted anomalies in the projects executed by IECCL. However, we were informed by the representatives of IECCL that there were no whistleblower complaints received by IECCL during the Review Period.
 - Further, basis the review of 22% of critical data which we had received relating to the project expenses and us performing extensive email review procedures, we had noted the following anomalies in the project like:
 - The work progress was slow.
 - Anomalies relating to sub-contractors;
 - Issues in internal controls;
 - Project cost is written off.

Thus, indicating multiple issues in projects of IECCL.

6. Observations

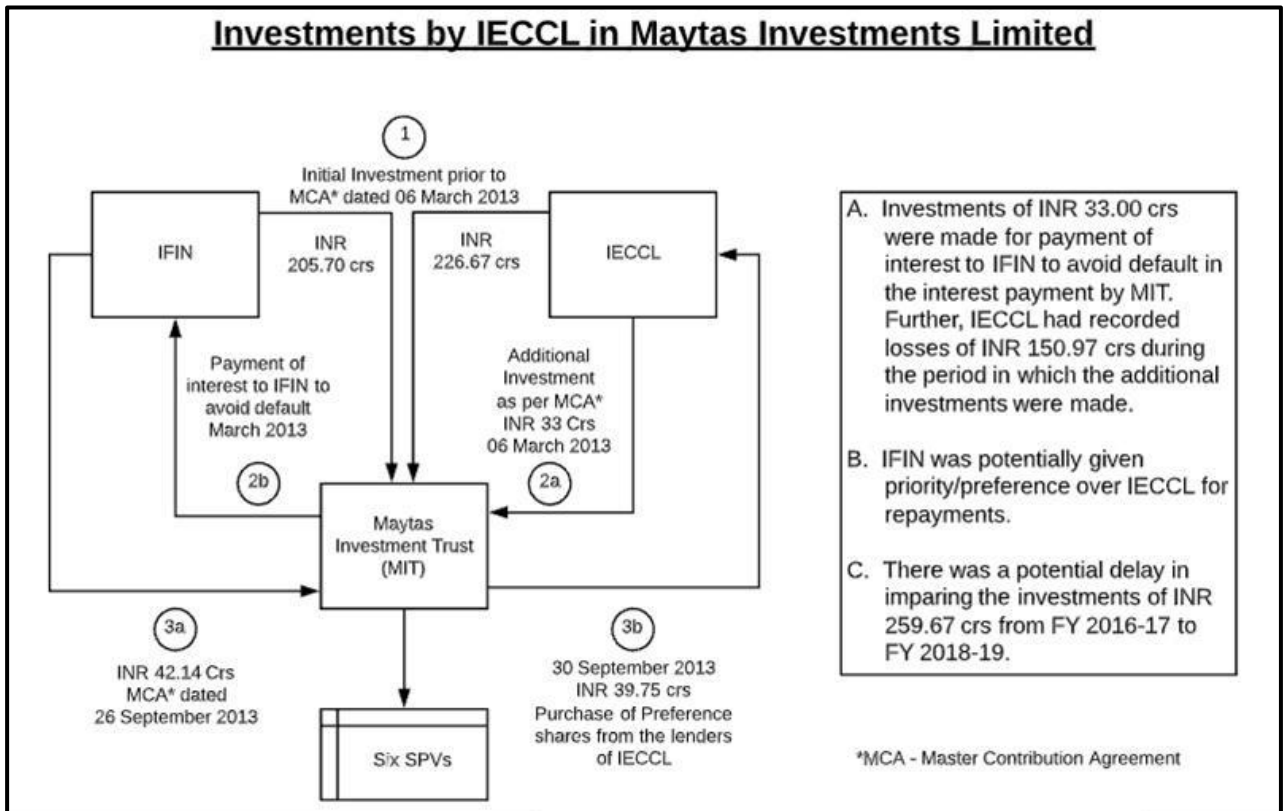
Potential instances which appear to indicate misrepresentation of financial statements

6.1 Potential anomalies with regards to investments

6.1.1. Potential anomalies pertaining to investments made in Maytas Investment Trust

Diagrammatic presentation of potential anomalies identified:

- The below chart provides a diagrammatic presentation of the findings noted in investments made by IECCL in Maytas Investment Trust:



Background:

- IECCL and IL&FS Financial Services Limited ('IFIN') had entered into an agreement to make investments in Maytas Investment Trust ('MIT').
- Based on the review of the financial statements of IECCL, it was noted that based on the above agreement, IECCL had made total investments of INR 226.67 crs in MIT between April 2010 and September 2012.
- The details pertaining to initial investments by IECCL in MIT before the Review Period were not made available for our review.
- IECCL and IFIN had entered into a Master Contribution Agreement ('MCA') dated 06 March 2013 to ensure a share of IECCL and IFIN in MIT post the said agreement date would be as follows:
 - IECCL: INR 259.67 crs i.e. 55%,
 - IFIN: INR 205.70 crs i.e. 45%.
- Thus, IECCL made an additional investment of INR 33.00 crs (the difference between INR 259.67 crs and INR 226.67 crs (*investment prior to MCA*)).
- Further, on review of the MCA, it was noted that the funds contributed by IECCL and IFIN would be invested by MIT in certain identified special purpose vehicles ('SPVs') with an objective to divest the same at a later point of time and to distribute the cash flows generated from the said divestment to IECCL and IFIN.
- Also, it was mentioned that the cash flows generated from the divestment activities would be distributed in the following priority order:
 - Redemption of existing investment of IFIN in MIT;
 - Expenses and fees payable to the trustees;
 - Redemption of the principal value of the investment made by IFIN;
 - Redemption of the principal value of the investment made by IECCL;
 - In case of a surplus, provide a yield of 15% p.a. on the investments made by IFIN; and
 - The balance amount remaining after providing yield to IFIN would be shared in the ratio of 80:20 between IECCL and IFIN, respectively.
- Based on our review of indenture to the trust deed, it was noted that MIT had made investments in the following SPVs:
 - Brindavan Infrastructure Company Limited ('BICL');
 - GVK Gautami Power Limited ('GGPL');
 - Cyberabad Expressways Limited ('CEL');
 - Bangalore Elevated Tollway Limited ('BETL');
 - Pondicherry Tindivanam Tollway Limited ('PTTL'); and
 - Hyderabad Expressways Limited ('HEL').

The details pertaining to the initial amount invested by MIT in the above SPVs were not made available for our review.

- The below table provides year on year carrying value of the investments made by IECCL in MIT (INR in crs):

#	Particulars	FY 2013-14 ¹¹	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19*
1	Investments in MIT	259.67	259.67	259.67	259.67	259.67	NIL

- Note*: During the FY 2018-19, IECCL had impaired the investments of INR 259.67 crs in MIT.

Potential anomalies identified:

IECCL appears to have no basis for making additional investments in MIT:

- Based on the details mentioned above, it was noted that during the Review Period, IECCL had made an additional investment of INR 33.00 crs in MIT.
- Basis our verbal discussions with the representatives of IECCL, we were informed that there was no document that provided a basis or justification for making the additional investments of INR 33.00 crs in MIT. Further, we were not provided with relevant supporting documentation such as a management note or any internal document which provided a rationale for making the said additional investment.
- Further, we identified an email dated 21 February 2013, which was sent by Jignesh Shah (Managing Director and Chief Executive Officer of IL&FS Infrastructure Asset Management Limited 'IIAML') to Sambhu Mukherjee (Former CFO of IECCL) wherein it was mentioned that INR 33 crs needs to be infused in MIT to ensure that MIT avoids default in the interest payment on 'Pass Through Certificate' ('PTC') of IFIN.

Additional investments were made in MIT when IECCL was under financial stress:

- Based on the review of the financial statements of IECCL for the FY 2012-2014, it had recorded a net loss of INR 150.97 crs for the said period. Further, it was noted that IECCL had recorded a net cash outflow from operating activities of INR 54.77 crs. Additionally, 18 months financial statement was filed for the period 01 October 2012 to 31 March 2014.
- Based on the email communication between the IECCL employees and other, it was noted that IECCL was under financial stress and had severe liquidity issues since FY 2011-12. The email communications are highlighted in section 6.6.1.
- Thus, it appears unusual that additional investments of INR 33.00 crs was made in MIT even while the Company was facing severe liquidity issues.

IFIN was provided potential priority/preference over IECCL in redemption/repayment:

¹¹ The financial statements were prepared for 18 months from 01 October 2012 to 31 March 2014.

- Based on a review of the MCA, it was noted that IECCL and IFIN had made total investments of INR 259.67 crs (55%) and INR 205.70 crs (45%) respectively.
- Further, it was also noted that the cash flow generated from the investments made in MIT was to be distributed in the following order:
 - Redemption of the principal value of the investments made by IFIN.
 - Redemption of the principal value of the investments made by IECCL.
 - The yield of 15% p.a. on investments made by IFIN.
 - Balance amount to be distributed between IECCL and IFIN in the ratio of 80:20.
- Based on the review of the above-mentioned sequence of cash flow distribution, it appears unusual that even though IECCL had a higher share in MIT than IFIN - IFIN was provided with a first preference on redemption/repayment of investments. Additionally, 15% p.a. of yield was agreed to be provided to IFIN.
- Thus, it appears that MCA terms were such that potential preference or priority might have been given to IFIN over IECCL on investments made in MIT even though IECCL had a higher share.

Delayed impairment of the investments in MIT:

- Decreasing trend in valuation as per valuation certificates: Based on a review of the valuation certificates provided by independent valuers of the six SPVs of MIT, it was noted that the valuation of the said six SPVs indicated a decreasing year on year trend. The below table provides details of the same:

#	Name of SPVs	% stake of MIT in SPV	Value of Six SPVs (Only share of MIT) (INR in crs)			
			FY 2015	FY 2016	FY 2017	FY 2018
1	BICL	33.33%	24.84	22.86	23.87	12.48
2	GGPL*	14.80%	278.58	275.24	255.82	-
3	CEL	18.00%	17.54	16.07	14.73	26.58
4	BETL	24.00%	147.35	147.42	145.63	89.90
5	PTTL	26.10%	45.49	43.64	27.86	(26.85)
6	HEL	42.70%	21.86	24.03	24.59	41.47
	Total		535.66	529.26	492.50	143.58

**Note: Valuation of GGPL was carried out on a financial year basis (April – March). Further valuation as on 31 March 2016 amounts to INR 278.58 crs was on the basis of internal working provided to us by the representative of IECCL, and no valuation certificate has been provided for our review. Further, for the SPVs other than GGPL, the valuations were as on the 31 December of the respective years.*

- Issues in GGPL, one of the major SPVs of MIT: Based on the review of the year on year valuation as per the above table, it can be noted that the approx. 50% of the investment of MIT was made in GGPL.
- Further, during our review, we identified an email dated 11 August 2012 sent by Arun Saha (Former Joint Managing Director and Chief Executive Officer at IL&FS Limited) to Ravi Parthasarathy (Former

Chairman of IL&FS Limited), Hari Sankaran (Former Director at IECCL), and K Ramchand (Former Director at IECCL) highlighting the following:

- Justifying the carrying value of investment in MIT by IECCL;
 - Financial position of GGPL (SPV of MIT) was deteriorating on account of “dwindled” gas supplies;
 - GGPL (SPV of MIT) might need to go for a debt restructuring exercise; and
 - The auditor wanted to add a qualification note in IECCL relating to the gas issue and diminution in the value of investment in MIT.
- Email communications highlighting impairment issues of investment in MIT: During our review, we identified multiple email communications highlighting issues with respect to impairment provision of MIT. Below table provides the details of the said issues:

#	Particulars	
1	Date: 14 November 2013	From: Sambhu Mukherjee (IECCL) To: Arun Saha (IL&FS Limited) and MD Khattar (Former managing director at IECCL)
	<u>Contents of the email:</u> 1. The email mentioned that Vikas Pansari from M/s. S.R. Batliboi & Associates LLP (Statutory Auditor of IECCL) was of the opinion that impairment provision should be made in the valuation of MIT or there will be qualification with regard to the valuation of MIT.	
2	Date: 14 November 2013	From: Arun Saha (IL&FS Limited) To: K Ramchand (IECCL) and Hari Sankaran (IECCL)
	<u>Contents of the email:</u> 1. The email highlights that the impairment of MIT was avoided and suggest preparing a plan either to take impairment in a gradual manner or transfer the investment to IEDCL. 2. In the same email, we identified the audit committee presentation of statutory auditor for the quarter ended 30 September 2013 wherein impairment matter of MIT was discussed and Emphasis of Matter ('EOM') in the audit report was to be made, however on verification of limited review report of IECCL for the said quarter we noted that there was neither qualification nor EOM for the said matter.	
3	Date: 09 July 2015	From: Jignesh Shah (IIAML) To: Arun Saha (IL&FS Limited)

#	Particulars
	<p><u>Contents of the email:</u></p> <p>1. The email states that the auditor was of the opinion to make impairment provision of INR 43 crs with regard to investment of MIT in BETL ultimately IECCL. Further, Jignesh Shah (IIAML) had disagreed with the opinion of the statutory auditor.</p>

- Further, as per the presentation “Draft MIT review meeting” attached in an email dated 30 June 2016 which was sent by Sambhu Mukherjee (IECCL) to Mukund Sapre (Former Managing Director of IECCL) and Sitaraman Ramachandran (Former Chief Executive Officer of IECCL), it was noted that out of the six SPVs, BETL was the only one that could be monetized.
- Thus, it appears that KMPs of IECCL and IL&FS were potentially aware since FY 2013 that the majority of the investments of MIT in its SPVs could not be monetized and were to be impaired. However, impairment was done by the new board of IL&FS Limited after 01 October 2018. It is noted that IECCL had recorded an impairment loss amounting to INR 259.67 crs with regard to investment in MIT.

List of representatives of IECCL who had approved the said transactions:

- Based on the response provided by the representatives of IECCL and on review of the said agreements, it appears that Shambhu Mukherjee approved investments in MIT dated 06 March 2013.

Responses provided by the representatives of IECCL:

- “The MIT structure was put in place as part of the Corporate Debt Restructuring undertaken after the Satyam fiasco when IL&FS stepped in as the Promoter as per the CLB Order. Accordingly, 9 SPV Investments of erstwhile Maytas Infra Limited (now IECCL) were transferred to MIT and PTCs were issued to the Lenders of IECCL with the SPVs as the underlying investment. Rs.575crs were put in by the Lenders in MIT which was paid by MIT to IECCL for purchase of the Investment which in turn was utilized by IECCL to reduce the loans on its books. The underlying assets were to be monetized and exit was to be given to the Lenders. As the monetization of the SPVs did not materialize IL&FS, as promoter had to step in by infusing the required capital to give exit to the Lenders. Accordingly, IFIN, IECCL and IEDCL contributed to MIT to take over the Investments of Lenders. The PTCs were interest bearing with maturity in Sep’12. IEDCL was given an exit by way of sale of 3 Power SPVs.”
- “Again, the monetization did not materialize. It was, then decided to convert the PTCs from interest bearing to participative. To give effect to the structure Rs.33crs. were infused by IECCL and the PTCs were converted to participative instead of interest bearing. As the entire structure was to help IECCL stand back on its feet priority of cash flows to IFIN was defined in the deed.”
- “The relevant Note (unsigned) as found in earlier CFO’s data folder is attached.”

GT comments and assessment on responses provided by the representatives of IECCL:

-
- The responses provided by the representative of IECCL provides clarification on the investment made in MIT. However, our anomaly pertained to the potential delay in the impairment of the investment in MIT, which was not addressed by the representatives of IECCL.
 - Thus, based on our findings and response received from the representatives of IECCL, our assessment remains unchanged.

6.1.2. Potential anomalies pertaining to investments made in Maytas Infra Saudi Arabia Company

Background:

- IECCL has a subsidiary, Maytas Infra Saudi Arabia Company ('MISA'), based out in the Kingdom of Saudi Arabia ('KSA').
- MISA is engaged in the business of providing engineering, procurement, and construction services, and its principal place of business is Jeddah, KSA.
- Based on a review of the financial statements of IECCL for FY 2014-15, the carrying value of the investment in MISA was INR 33.19 crs. The below table provides year on year carrying value of the investments made by IECCL in MIT (INR in crs):

#	Particulars	FY 2013-14 ¹²	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
1	MISA	33.19	33.19	33.19	33.19	33.19	NIL

- During the FY 2018-19, IECCL had impaired the investments of INR 33.19 crs in MISA.

Potential anomalies identified:

Potential issues in going concern status of MISA:

- During our review, we had identified an email dated 19 May 2015, which was sent by Sambhu Mukherjee (IECCL) to Arun Saha (IL&FS Limited) where it was stated that:
 - M/s. Deloitte & Touche Bakr Abulkhair & Co., Certified Public Accountants ('Deloitte Jeddah' – statutory auditors of MISA) had raised concerns over the going concern status of the MISA as its accumulated loss that had exceeded 50% of the paid-up capital during the FY 2014-15 and that Deloitte Jeddah was considering the inclusion of a note on going concern issue in its audit report.
 - Sambhu Mukherjee (IECCL) discussed with Muhammed E. Kagalwala (Engagement Partner of Deloitte Jeddah) to exclude the note pertaining to going concern issues from the audit report of MISA.
 - Further, Sambhu Mukherjee (IECCL) requested Arun Saha (IL&FS Limited) to discuss with Deloitte India to resolve the going concern issue raised by Deloitte Jeddah.
- As per Article 180 of the Companies Law of the KSA, any company whose losses amount to half of its share capital shall conduct a meeting of its shareholders/partners to consider the continuation or dissolution of the company.

¹² The financial statements were prepared for 18 months from 01 October 2012 to 31 March 2014.

- Further, based on the review of the financial statements of the MISA for FY 2014-15, it was noted that the accumulated losses had exceeded 50% of the total paid-up capital of MISA. The below table provides details of the same: (Amount in Saudi Riyals)

#	Particulars	FY 2014-15	%
	Shareholders' equity		
1	Share capital	50,000,000	100.00%
2	Accumulated losses	(25,794,768)	51.59%
	Total	24,205,232	

- However, it is unusual to note that the audit report dated 12 May 2015 issued by Deloitte & Touche (Bakr Abulkhair & Co.), Jeddah (Statutory Auditors of MISA), did not contain going concern qualification.

Potential anomalies in the audit report of MISA:

- As per the facts mentioned above, the email conversations between Sambhu Mukherjee (IECCL) and Arun Saha (IL&FS Limited) with regard to the going concern issue was dated 18 May 2015. However, the audit report of MISA was dated 12 May 2015.
- Thus, it is unusual to note that email conversation on the auditor's comment on the potential going concern issues were being exchanged post the date on which the audit report was signed.
- Further, based on the aforesaid email communication, it was noted Muhammed E. Kagalwala (Engagement Partner of Deloitte Jeddah) had raised the going concern issue. However, the audit report dated 12 May 2015 was signed by Kholoud A. Mousa Altambakti, another partner of Deloitte Jeddah, rather than the engagement partner.

Potential financial and operational issues in MISA

- During our review, we identified an email dated 24 October 2015, which was sent by Ghassan Ashkar (Employee of MISA) to Sambhu Mukherjee (IECCL) with regard to the financial position of MISA. It was mentioned that the company was incurring losses, and the same was required to be disclosed as per the International Financial Reporting Standard ('IFRS') and the relevant applicable standard in Saudi Arabia. It was further mentioned that not even a single project of MISA was making profits due to multiple issues such as non-progress of the work on the job-sites, non-availability of cash, and blocking of the banking facilities. Also, it was mentioned that the clients were not releasing any dues, which had further impaired the progress and resulted in additional losses to the company.
- We had also identified another email dated 20 November 2015, which was sent by Afsar Ahmed Sultan (Employee of MISA) to Sambhu Mukherjee (IECCL) where he had stated that MISA was suffering from a financial crisis due to a financial setback received last year and lack of any financial support. It was further highlighted that the financial position of MISA was weak and that they had terminated employees in order to reduce the expenses of the company.

- Further, we had identified emails dated 09 May 2017 and 11 May 2017 which were sent by the employees of MISA to KMPs of IL&FS Group where it was mentioned that they would file a case against IL&FS Group in the labor court for salaries and criminal case of fraud.
- Thus, from the above, it appears that there were multiple financial and operational issues in MISA, which indicated stress and liquidity constraints in the company.

Responses provided by the representatives of IECCL:

- *“Present Management being unaware of the discussions mentioned in the email on the developments on MISA, is unable to comment.”*

GT comments and assessment on responses provided by the representatives of IECCL:

- Based on our findings and no comment received from the representatives of IECCL, our assessment remains unchanged.

6.2 Potential anomalies in recognition of unbilled revenue

Background:

- As of 31 March 2019, the unbilled revenue appearing as due from customer/project work-in-progress was INR 814.33 crs. The below table provides year on year receivables from unbilled revenue –

#	Particulars	FY 2013-14 ¹³	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
1	Unbilled revenue (UBR)	958.75	1,193.08	1,123.42	1,587.29	1,895.53	814.33

Potential anomalies identified:

Potential instances which indicate a delay in writing off unbilled revenue

- Based on the review of the financial statements, it was noted during the FY 2018-19, unbilled revenue of INR 727.93 crs was written off in the books of accounts. Based on the verbal discussions with the representatives of IECCL, we were informed that the current management of IECCL had assessed the financial strength of the customers and their ability to pay the dues and had provided for the write-off of the unbilled revenue during the FY 2018-19.
- During our review, we had identified multiple email communications wherein discussion indicating slow progress of the projects, write-off of unbilled revenue, and recognition of unbilled revenue for projects with no/negligible progress was held between erstwhile KMPs and representatives of IECCL.
- The below table provides details of such email communications:

#	Particulars
1	<p>Date: 29 May 2013</p> <p>From: Sabina Bhavnani (Head Project Group Finance of IL&FS Limited)</p> <p>To: MD Khattar (IECCL) and Sambhu Mukherjee (IECCL)</p> <p><u>Presentation titled – IECCL Review</u> (attached to the email)</p> <ol style="list-style-type: none"> Based on a review of the said presentation, it was noted that IECCL was estimating a probable loss of INR 251.50 crs for the 18 months ending March 2014. It was also noted that there was a substantial variation in the estimates that were presented to the Saudi Binladen Group (Shareholder of IECCL) vis-à-vis the estimates in the presentation, and the same was on account of declining project margins and delayed receipt of the mobilization advances from clients. It was further noted that the balance sheet analysis as stated in the presentation highlighted that more than half of the assets of IECCL (INR 1446.3 crs out of INR 2593.4 crs) are non-moving and the same were unlikely to generate any returns and that the Company would have to undertake certain write-offs/ impairment.

¹³ The financial statements were prepared for 18 months from 01 October 2012 to 31 March 2014.

#	Particulars	
2	Date: 03 February 2016	From: Suguna Mudundi (Associate Vice President of IECCL) To: Pradeep Kulshrestha (Former Chief Technical Officer of IECCL).
	<p><u>Presentation titled - Financial Performance: Update and Analysis (December 2015)</u> (attached to the email)</p> <ol style="list-style-type: none"> 1. Based on a review of the said presentation, it was noted that as on September 2015, the total UBR was INR 1,075.40 crs, of which INR 779.60 crs was unbilled for more than six months. 2. Unbilled revenue of INR 246.00 crs for 15 projects was categorised as 'Unexplained Unbilled Revenue' and was identified as risky and doubtful. 	
3	Date: 02 May 2016	From: Suguna Mudundi (IECCL) To: Sambhu Mukherjee (IECCL)
	<p><u>Contents of the email</u></p> <ol style="list-style-type: none"> 1. Suguna Mudundi (IECCL) shared a list of non-moving assets of IECCL with Sambhu Mukherjee (IECCL). 2. It was noted that the total of the non-moving assets amounted to INR 100 crs, out of which INR 60.35 crs pertained to intergroup companies. 	
4	Date: 08 March 2017	From: Suguna Mudundi (IECCL) To: Sitaraman Ramachandran (IECCL) and Dileep Agrahara (Head of Irrigation sector of IECCL)
	<p><u>Contents of the email</u></p> <ol style="list-style-type: none"> 1. Suguna Mudundi (IECCL) had shared a list of projects for which the unbilled revenue was to be written-off, or provisions were to be created. 2. It was noted that 19 projects were highlighted in the said list where the total amount to be written off/provision to be created was INR 330.20 crs. 	

- The below table provides details of the projects for which write-off/provision pertaining to UBR was to be created based on the emails as identified above:

#	Name of the project	Total UBR recognized till FY 2017-18	UBR written off during FY 2018-19	% of write-off	Email communications which indicate that potential write-off of UBR was to be executed in the year, however, was done by the current management post 01 October 2018	
					FY 2015-16	FY 2017-18
1	Nagaland	455.61	193.84	43%	✓	-
2	Patna Gaya ¹⁴	133.04	150.18	100%	✓	-
3	Assam 19	157.52	78.72	50%	✓	-
4	ISPRM Magalore	94.89	70.76	75%	-	-
5	Kolkata Metro Rail ¹⁵	56.67	62.40	100%	✓	-
6	Polavaram	59.08	33.48	57%	✓	-
7	NMR	69.94	31.12	44%	-	-
8	BMRCL-2	56.01	29.00	52%	-	✓
9	RMRG-Phase-II	26.95	26.95	100%	✓	-
10	Assam 17	84.05	26.23	31%	-	-
11	Kiratpur	137.33	11.98	9%	-	-
12	RMRG-II-Stations - 3 Stations	4.63	4.63	100%	✓	-
13	Amarvati Chikali	47.01	4.47	10%	-	-
14	DFCCI	11.49	2.55	22%	-	-
15	Bidar - Humnabad ¹⁶	0.61	1.08	100%	-	-
16	Hillcounty	2.03	0.54	27%	✓	-
17	Anand Vilas	18.90	0.00	0%	✓	-
18	BMP Sholapur	37.34	0.00	0%	✓	-
19	DLF Road Project	-4.84	0.00	0%	✓	-
20	Gurgaon Hills	27.45	0.00	0%	✓	-
21	Mahendra	9.22	0.00	0%	-	✓
22	Orchid heights	10.65	0.00	0%	✓	-
23	Palm Garden	3.65	0.00	0%	✓	-
24	Villas Marbella	38.26	0.00	0%	✓	-
	Total	1,537.48	727.93	47%		

¹⁴ The amount written-off during FY 2018-19 is more than the total UBR recognized till FY 2017-18 as the details relating to UBR recognized during the FY 2018-19 was not made available for our review.

¹⁵ The amount written-off during FY 2018-19 is more than the total UBR recognized till FY 2017-18 as the details relating to UBR recognized during the FY 2018-19 was not made available for our review.

¹⁶ The amount written-off during FY 2018-19 is more than the total UBR recognized till FY 2017-18 as the details relating to UBR recognized during the FY 2018-19 was not made available for our review.

Summary:

- Thus, based on the above-stated facts, it appears that KMP's of IECCL had certain discussions regarding the projects that were either slow-moving, risky or doubtful for which the write-offs/provisions should have been created during the FY 2015-16 to FY 2017-18. However, the said write-offs/provisions were created only during FY 2018-19.

List of representatives of IECCL who had approved and executed the said transactions:

"Not Applicable"

Responses provided by the representatives of IECCL:**Explanation on recognition of un-billed revenue**

- *"As per Accounting Standard on Revenue recognition of EPC Contracts any expenditure incurred in the project is divided by the total budgeted cost of the project to arrive at percentage of completion (POC). This POC is then multiplied by the Contract Value to arrive at revenue to be recognized till date. After deducting the certified portion of the revenue from this we arrive at un-billed revenue."*
- *"From the above, it can be noted that*
 - UBR calculation is directly related to expenditure incurred in the project and is arrived at via set formula without any manual intervention.
 - POC as per Accounting can be different from physical POC of any project (as we have seen in Patna- Gaya Project which is mentioned as anomaly in the report) "
- *"Un-billed revenue refers to that portion of revenue which has not been certified by the client, it has no relation to whether IECCL has raised the invoice or not (as has been mentioned by GT in their report) UBR is generated in all EPC contracts because of non BOQ expenditure and/or non-certified BOQ expenditure. As the nature of EPC contracts is such that mobilization expenditure at sites is non – BOQ it is mostly found that UBR is generated for ongoing projects which gets adjusted over the project life cycle. Whether UBR needs to be written off or carried forward till end of the project is dependent on management expectations of the realizability of such expenditure."*
- *"GT has mentioned that the recognized un-billed revenue is disclosed under "Amount due from the clients/customer", which is not correct. Un -billed revenue is clubbed under "Project Work in Progress" till it gets certified by the clients. Further, the UBR written off during FY 19 was Rs.790 Cr and not Rs.727.93 Cr as mentioned by the GT in their report."*
- *"Present management assessed the recoverability of UBR and after taking the Board approval by providing proper justifications/reasons for reversal, provision/write off of UBR has been done in FY 19. Project wise reasons are explained in below table. Also, enclosed is the approval sheet duly approved by then Chairman of IECCL Audit Committee, Mr Bijay Kumar"*

“Reason for delay in reversal/provision/write off UBR during FY 19 has been explained in below table.”

#	Name of the project	Total UBR recognized till FY 2017-18	UBR written off during FY 2018-19	% of write-off	Email communications which indicate that potential write-off of UBR was to be executed in the year, however, was done by the current management post 01 Oct-18		IECCL RESPONSE
					FY 2015-16	FY 2017-18	
1	Nagaland	455.61	193.84	43%	✓	-	Based on the arbitration award received in 2018-19 the reversal of UBR was done
2	Patna Gaya 14	133.04	150.18	100%	✓	-	Till Oct-2018, the project was in active mode and under execution. Post ILFS Episode the client had terminated the project, hence the reversal of UBR was considered. In the previous years IECCL has prepared its claim for RS.365 Cr which was under submission stage.
3	Assam 19	157.52	78.72	50%	✓	-	IECCL entered into settlement of award receivables with NHAI in 2018-19. Based on the settlement, carrying value was duly adjusted in the books.

4	ISPRL Magalore	94.89	70.76	75%	✓	-	Client had rejected the claim, hence proposed for provisioning. IECCL is also filling for arbitration.
5	Kolkata Metro Rail15	56.67	62.4	100%	✓	-	The Project was Terminated during the year due to extra ordinary event having occurred in the ILFS Group, which affected the realisability adversely. Hence the provision was considered.
6	Polavaram	59.08	33.48	57%	✓	-	Due to de-scope of work during FY 2018-19, write-off was proposed against claims booked earlier.
7	NMR	69.94	31.12	44%	✓	✓	The Project was Terminated during the year due to extra ordinary event having occurred in the ILFS Group, which affected the realisability adversely. Hence the provision was considered.
8	BMRCL-2	56.01	29	52%	✓	✓	In PY the project was under progress and IECCL was preparing claim for the extra cost incurred, hence UBR was retained in the books of accounts. However, due to extra ordinary

							<i>event having occurred in the ILFS Group, provisioning was considered.</i>
9	<i>RMRG-Phase-II</i>	26.95	26.95	100%	✓	-	<i>This is ITNL project. Amount cannot be recovered due to extra ordinary event having occurred in ILFS- Group</i>
10	<i>Assam 17</i>	84.05	26.23	31%	-	-	<i>IECCL entered into settlement of award receivables with NHAI in 2018-19. Based on the settlement, carrying value was duly adjusted in the books.</i>
11	<i>Kiratpur</i>	137.33	11.98	9%	-	-	<i>This is ITNL Project. Due to extra ordinary event having occurred in the ILFS Group, realisability was affected adversely. Hence the provisioning was considered.</i>
12	<i>RMRG-II- Stations - 3 Stations</i>	4.63	4.63	100%	✓	-	<i>This is ITNL project. Amount cannot be recovered due to extra ordinary event having occurred in ILFS- Group</i>
13	<i>Amarvati Chikali</i>	47.01	4.47	10%	-	-	<i>This is ITNL project. Amount cannot be recovered due to extra ordinary event having occurred in ILFS- Group</i>
14	<i>DFCCI</i>	11.49	2.55	22%	-	-	<i>In PY IECCL was planning to submit a claim with the client. Due to foreclosure of the project</i>

							after ILFS Episode, provisioning was considered.
15	Bidar Humnabad16	- 0.61	1.08	100%	-	-	It is ITNL Project. Due to extra ordinary event having occurred in the ILFS Group, which affected the realisability adversely. Hence the provision considered.
16	Hillcounty	2.03	0.54	27%	✓	-	This is group receivable, due to extra ordinary event having occurred in the ILFS Group, which affected the realisability adversely. Hence the provision considered.
17	Anand Vilas	18.9	0	0%	✓	-	After scrutiny of the respective projects CTCs, the impact was considered in the revised CTCs, except for DLF and Orchid Heights. For DLF Project IECCL has invoked arbitration.
18	BMP Sholapur	37.34	0	0%	✓	-	
19	DLF Road Project	-4.84	0	0%	✓	-	
20	Gurgaon Hills	27.45	0	0%	✓	-	
21	Mahendra	9.22	0	0%	-	✓	
22	Orchid heights	10.65	0	0%	✓	-	
23	Palm Garden	3.65	0	0%	✓	-	

24	Villas Marbella	38.26	0	0%	✓	-	
<i>Total</i>		1,537.48	727.93	47%			

GT comments on responses provided by the representatives of IECCL:**In relation to overall projects: (It is pertinent to note that our observation is only on 16 projects)**

- Based on the response provided by the representatives of IECCL, UBR written off during FY 2018-19 was INR 790 crs.
- However, on review of the detailed break-up of write off as provided to GT through an email dated 26 November 2019 by the representative of IECCL, it was noted that INR 62.07 crs out of a total of INR 790 crs was written off against the project Tadipudi and Lingala, and explanation to the same was stated as follows “Due to descoping of work write-off is proposed against **claims booked** earlier”. Hence, we have considered INR 62.07 crs in the claims section of our Report and not in the UBR section.
- Thus, the total amount of UBR written off of as per our working stands at INR 727.93 crs (INR 790 crs – INR 62.07 crs).

Our of 16 projects in relation to 11 projects, IECCL provided a comment that UBR was written-off post triggering of an extra-ordinary event during FY 2018-19, i.e. 01 October 2018

- While representatives of IECCL contend that an extra-ordinary event occurred during FY 2018-19, thereby triggering the provisioning for the write-off of UBR (in relation to 11 projects mentioned in response stated above); however, such a reason does not justify the potential delay in provisioning, especially considering prior knowledge of then KMPs of IECCL with regards to anomalies in UBR as indicative from email conversations noted by GT.

Out of 16 projects in relation to 5 projects, wherein UBR was reversed a post-arbitration award

- GT’s observation (in relation to Nagaland) project was basis CAG report findings upto 31 March 2015 and not regarding reversal of UBR post-arbitration award to M/s Maytas Gayatri Joint Venture in 2019. Further, our observation in relation to the Nagaland project was that the then KMPs of IECCL during the period 2015 were aware about the issues in the project, and the same was highlighted in the report of CAG. However, we consider the fact that post-2019, an arbitration award was given for the Nagaland project on 10 August 2019. Moreover, in relation to the remaining 4 projects (apart from the Nagaland project), reversal of UBR was done basis of the arbitration award received. We consider the fact that arbitration award was received; however, based on the email communication between the then representatives of IECCL, there appeared to be a potential issue in recognition of UBR.

GT assessment post responses provided by the representatives of IECCL:

- It is pertinent to note that present management had written off UBR of INR 727.93 crs after the receipt of the arbitration awards received after 01 October 2018. GT observation had noted that the emails which potentially suggest prior knowledge by then KMPs of anomalies about provisioning/ write-off of UBR during the earlier periods (FY 2015-16 till 17-18). However, the representative of IECCL offered no explanations about emails cited above as observations and instead emphasized receipt of the arbitration awards and extraordinary events that occurred during FY 2018-19 as the reasons for providing for the write-off of UBR.

6.3 Potential anomalies with respect to claims recognised in the books of accounts

Background:

- IECCL raises claims on its clients/customers for additional work procedures or price escalations to execute the projects, and the same is recognised as contract revenue in the books of accounts of IECCL.
- During the Review Period, it was noted that IECCL had recognised claims of INR 559.57 crs in the books of accounts.
- Based on our review of the accounting policy of IECCL with regard to claim management, it was noted that such claims should form a part of the contract revenue only when:
 - Negotiations have reached an advanced stage such that it is probable that the customer shall accept the same; and
 - The claim shall be accepted by the customer and can be measured reliably.
- Based on the email dated 12 August 2020, the representative of the IECCL had provided the details of claims accounted year on year project-wise. The below table provides details of the claims as mentioned above. (INR in crs):

#	Sector	Project	Before Review Period	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	Total
1	Roads	Assam-17	-	-	83.50	-	-	83.50
2	Roads	Assam-19	-	121.00	10.16	-	-	131.16
3	Roads	BDA	32.30	-	-	-	-	32.30
4	Roads	DLF	-	-	-	40.28	-	40.28
5	Roads	Nagaland	-	-	-	12.10	-	12.10
6	Railways	RMRG-II	-	-	-	-	29.00	29.00
7	Railways	KMR	-	-	-	-	20.00	20.00
8	Oil & Gas	ISPRL	-	-	-	57.00	19.10	76.10
9	Irrigation	Polavaram	-	40.61	-	-	-	40.61
10	Irrigation	Lingala	-	36.12	-	-	-	36.12
11	Irrigation	Tadipudi	-	58.40	-	-	-	58.40
		Total	32.30	256.13	93.66	109.38	68.10	559.57

Potential anomalies identified:

Excess claims recognised in the books of accounts

- During our review, we identified an email dated 18 May 2018, which was sent by Naveen Kumar Agarwal (IECCL) to Sambhu Mukherjee (IECCL), wherein a spreadsheet was shared which contained details of claims recognised in the books of accounts vis-à-vis its probable realisable value.
- In the said email, it was noted that in certain projects, the claims recorded in the books were at a higher amount than their probable realizable value.

- Further, the below table provides details of the excess claims recognized in particular projects (INR in crs):

#	Name of the projects	Probable Realisable Value of claims	Claims recorded in books of accounts	Excess claims recognized
		A	B	C = A – B
1	Assam 17	125.90	145.10	19.20
2	Assam 19	191.20	192.10	0.90
3	GNSS	-	0.63	0.63
4	Bhupati Palem	-	13.10	13.10
	Total	317.10	350.93	33.83

However, it was noted that the details in the above email pertaining to the claims recorded in the books of account were not matching with the details of claims accounted for during the review period as provided by the representative of IECCL.

Potential instances which indicate a delay in writing off claims recognized in books of accounts of IECCL

- During our review, we identified an email dated 03 February 2016, which was sent by Suguna Mudundi (IECCL) to Pradeep Kulshretha (IECCL), which had an attachment titled 'Financial Performance: Update and Analysis (December 2015)'.
- Based on the review of the said attachment, it was noted that as on September 2015, the total claims accounted was INR 86.20 crs, out of which INR 24.90 crs was expected to be written off in the books of accounts of IECCL.
- Thus, based on the above-stated facts, it appears that the then management of IECCL had a certain discussion regarding the claims that were required to be written off, which should have been done during the FY 2015-16. However, the same was written off in FY 2018-19 only by the current board of directors.
- The below table provides details of the projects for which potential indicator of write off/provision was identified during FY 2015-16 pertaining to claims based on the emails as identified above:

#	Name of the project	Total Claims recognized till 31 March 2018	Claims written off during FY 2018-19	% of write-off
1	Bhupathipalem	17	11.08	
2	Lingala – MIL	36.12	24.97	69%
3	Tadipudi	58.40	37.87	65%

¹⁷ On review of the details of claims accounted provided by representative of IECCL it was noted that no claims were accounted for the Project Bhupathipalem during review period.

Interest on claims recognised in books of accounts reversed

- Based on the review of the financial statements of the FY 2018-19, it was noted IECCL had written off the interest on claims amounting to INR 176.00 crs which were recorded in earlier years. Further, as per the management assessment, the interest on claims was written off after considering the ability of the parties to pay the dues, the probability of obtaining the certifications, and the financial strengths of the entities.
- The below table provides details of interest on claims which were written off during the FY 2018-19:

#	Name of the project	Amount (INR in crs)
1	Assam 17	53.00
2	Assam 19	73.00
3	Nagaland	50.00
	Total	176.00

- During our review, we had identified an email dated 08 March 2018, which was sent by Sambhu Mukherjee (IECCL) to Mukund Sapre (IECCL), where the discussions between the representatives of IECCL, ICICI Securities Limited, and ICICI Bank Limited were highlighted. The discussions pertained to IECCL exploring strategic options with ICICI Group. It was mentioned that one of the representatives of ICICI Securities Limited had raised concerns on recognition of interest on claims by IECCL, which was not in line with the industry practice. Thus, it appears that the practice of IECCL to recognise interest on claims was not as per the industry practice.

Potential claims recognized in books of accounts to increase the profitability

- During our review, we identified an email dated 29 March 2015, which was sent by Arun Saha (IL&FS Limited) to K Ramchand (IECCL)
- The contents of the email indicated that the loss estimated by the management of IECCL for the quarter ended 31 March 2015 is INR 50 crs. However, upon review of the audited financial statements for the quarter ended 31 March 2015 as submitted by the IECCL with the Bombay Stock Exchange ('BSE') shows the net profit of INR 0.85 crs.
- Further, in the said email, Arun Saha recommends accounting of the claims of the project Assam 17 of more than INR 100 crs even before the same could be crystallized to improve the profitability position of IECCL. However, there could be apprehensions on the audit qualification upon the accounting of such claims as discussed between Arun Saha and Ved Jain, along with the key personnel of EY.
- Further, Arun Saha (IL&FS Limited) suggested the alternative approach to improve the profitability of the IECCL, which is as follows:
 - Transfer of land to Maytas Investment Trust and record the profit of INR 18 crs.
 - Raise the claim upon ANC (the contractor for the project GIFT2 who had sub-contracted work to IECCL) of INR 15 crs.
 - Other multiple adjustments in the books of accounts to the extent of INR 20 crs.

- Thus, it appears that the management of IECCL were potentially inclined to record the claims before they could be materialized or record certain transactions in order to achieve the desired gross margins and thereby avoid reflecting stress in the company.

List of representatives of IECCL who had approved and executed the said transactions:

“Not Applicable”

Responses provided by the representatives of IECCL:

The claim accounting policy of IECCL is as under:

- “Claims in the contract works are included in contract revenue only when:
 - Negotiations have reached an advanced stage (which is evidenced on receipt of favorable arbitration award, Acceptance by customer, other probability assessments, etc.,) such that it is probable that customer will accept the claim; and
 - The amount that is probable will be accepted by the customer and can be measured reliably.”
- “The Claims have been recognized under the above policy on the basis of work done, arbitration award, extension of time, acceptance by customer etc.”
- “The mail communication mentioned by GT was just an internal communication from team member of CFOs team to the CFO, mentioning the most likely realizable value of the claim. But recognition of claims in the books were not made on internal assessment, but by way of computation by external Techno- Legal expert. It may be noted that AS 17 and AS 19 projects mentioned in the table were realized in 2018-19 on the basis of settlement entered into with NHAI”
- “The claims were written off during FY 19 in view of the assessment of current management towards recoverability of such claims basis extra ordinary event having occurred in the ILFS Group, which affected the realisability adversely. Project wise justification has been explained in below table.”

#	Sector	Project	Reason for considering in FY 19	Reason for not considering in Previous Years
1	Roads	Assam-17	IECCL entered into settlement of award receivables with NHAI in 2018-19. Based on the settlement, carrying value was duly adjusted in the books.	Based on the Techno legal opinion from the independent expert, the claim accounted and retained in the books of accounts.
2	Roads	Assam-19		
3	Roads	BDA	Fully realized, no provision or write off	Fully realized, no provision or write off
4	Roads	DLF	No Provision or write off proposed	No Provision or write off proposed
5	Roads	Nagaland	Write off is in line with arbitration award received	Based on the Techno legal opinion from the independent expert, the claim accounted and retained in the books of accounts
6	Railways	RMRG-II	Amount cannot be recovered due to extra ordinary event having occurred in the ILFS	IECCL has submitted the claim of Rs. 67 Cr on ITNL, for which client

			<i>Group, which affected the realisability adversely.</i>	<i>has replied that the claims is under consideration</i>
7	<i>Railways</i>	<i>KMR</i>	<i>The Project was Terminated during the year due to extra ordinary event having occurred in the ILFS Group, which affected the realisability adversely.</i>	<i>In the previous years the project is in active stage and based on the Techno legal opinion from the independent expert, the claim accounted and retained in the books of accounts</i>
8	<i>Oil & Gas</i>	<i>ISPRL</i>	<i>Client has rejected the claim, hence proposed for provisioning but we are filling for arbitration.</i>	<i>Based on the Techno legal opinion from the independent expert, the claim accounted and retained in the books of accounts and final bill has been submitted post Mar-18.</i>
9	<i>Irrigation</i>	<i>Polavaram</i>	<i>Due to de scoping of work write-off is proposed against claims booked earlier</i>	<i>Based on the Government Order (GO)of the Government claims 10 Irrigation Lingala has been recognized</i>
10	<i>Irrigation</i>	<i>Lingala</i>		
11	<i>Irrigation</i>	<i>Tadipudi</i>		

GT comments on responses provided by the representatives of IECCL:

- As per the response provided by the representatives of IECCL, the claims are accounted for on the basis the techno legal opinion. However, based on our email observation, it appears that then KMPs were potentially aware that the claims accounted in the books of accounts were more than the probable realizable value. However, the excess claims were potentially not written off by the then KMPs despite having potential prior knowledge of anomalies in claims accounted in the books of account.
- In relation to delay in the write-off of claims, the representatives of IECCL provided various reasons (viz., descopeing of work, basis government order etc.) for claims related to a different project, as the reason for the delay in writing-off the unrecoverable claims accounted in books; however, IECCL offered no explanation with regards to the emails, which potentially depicted prior knowledge of potential anomalies in relation to the write-off of unrecoverable claims.
- In relation to the initial recognition of interest on claims and subsequent write-off, the representatives of IECCL commented that the claims were retained in the book's basis a techno legal opinion. However, our observation was based on the premise, wherein an email conversation between then IECCL KMPs and ICICI Securities Limited (potential lender) indicated that representatives of ICICI Securities Limited raised concerns on 'recognizing interest on claims was not in line with industry practice'. Further, no response in relation to the rationale behind the recognition of interest on claims was provided by representatives of IECCL.
- In relation to GT's observation that the claims were recorded and recognized in the 'books of account' even before the materialization of the cited claims, potentially to achieve the desired gross margins and thereby evade reflection of stress in the company; the representatives of IECCL had offered no comments/response.

GT assessment post responses provided by the representatives of IECCL:

- Basis our observations and assessment of the responses received from representatives of IECCL as discussed in GT comments above, we have taken into consideration that the claims are recorded based on the techno legal opinion; however, no comments have been provided on the discussion between the then KMPs of IECCL which does highlight the issues with regard to claims raised by IECCL.

6.4 Potential anomalies noted in transactions with regards to fixed assets

6.4.1 Potential anomalies with regards to sale and leaseback transaction between IECCL and IL&FS Transportation Networks Limited ('ITNL')

Background:

- IECCL through an agreement dated 28 March 2017 had entered into a sale and leaseback transaction for a consideration of INR 58.05 crs with ITNL.
- Based on a review of the said agreement, it was noted that IECCL would sell the asset (machinery) to ITNL, and the same would be leased back to IECCL. It was noted that the said asset had a book value of INR 15.76 crs in the books of accounts of IECCL.

Potential anomalies identified:

Sale and leaseback transaction was a potentially structured transaction for ITNL to avail tax benefits and IECCL to recognise the profitability

- During our review, we identified an email dated 31 March 2017, which was sent by Sambhu Mukherjee (IECCL) to Mukund Sapre (IECCL), where the taxation benefits on the sale and leaseback transactions outlined by Dilip Lakhani (Partner of M/s. Lakhani & Co., Chartered Accountants) were discussed. The following were the taxation benefits that were highlighted in the email:
 - ITNL would raise invoices to IECCL from various states in which ITNL had Value Added Tax ('VAT') registration and avail tax credits.
 - ITNL could demonstrate asset (machinery) usage of 3 days and avail depreciation benefit of 180 days during the FY 2016-17.
 - Separate buyback agreement to reacquire the asset by IECCL from ITNL as the buyback clause in the sale and leaseback agreement would convert the operating lease into a financial lease and hence making IECCL ineligible to recognise the profit on the sale of machinery during the FY 2016-17 (profit realise through entering into sale and leaseback transaction).
- Thus, from the email communication, it appears that the sale and leaseback transaction was a potential structured transaction so that IECCL could recognize profit for the FY 2016-17 and ITNL could avail related taxation benefits on the said transaction.

IECCL entered into a sale and leaseback transaction to record annual profitability

- Based on the email dated 09 December 2019, the representative of the IECCL had provided the details of the sale and leaseback transaction wherein it was noted that the sale consideration for the asset (machinery) was INR 58.05 crs whereas the carrying value of the asset (machinery) in the books of accounts was INR 15.76 crs. Thus, based on the sale and leaseback agreement, IECCL had recognised a profit of INR 42.29 crs during the FY 2016-17.

- During the FY 2016-17, IECCL had recognised a profit before tax of INR 2.30 crs. In case, if the profit from the sale of lease and back transaction was not considered, IECCL would have recorded a potential loss of INR 39.99 crs. The below table provides details of the same:

#	Particulars		Amount (INR in crs)
1	Sale consideration (based on the sale and leaseback transaction)	A	58.05
2	Carrying value of the asset sold based on the sale and lease transactions	B	15.76
3	Profit on sale on leaseback transactions	C = A - B	42.79
4	Profit/(Loss) before tax (as per the financial assets for FY 2016-17)	D	2.30
5	Profit/(Loss) before tax in case of the sale and leaseback transaction was not considered	E = D - C	(39.99)

Sale and leaseback agreement dated before the actual date of the transaction

- As per the above email communications, it is noted that Sambhu Mukherjee (IECCL) and Mukund Sapre (IECCL) were discussing the benefits of the sale and leaseback transaction on 31 March 2017. However, the said sale and leaseback agreement was dated 28 March 2017.
- Thus, it appears that the sale and lease agreement may have been dated prior to the actual date of its execution.

Potential mismatch in documentation review vis-a-vis actual transaction undertaken

- During our review, an email dated 31 March 2017 was noted pertaining to a conversation between Sambhu Mukherjee and Mukund Sapre. On further review, it was noted that the draft Information Memorandum ('IM') was shared by Sambhu Mukherjee for review and approval from Mukund Sapre.
- It was mentioned in the IM that IECCL was entering into the sale of equipment transaction with ITNL for a fair value of INR 85 crs, and it was also noted that the said fair value was computed by a Chartered Engineer. Further, the said IM was approved by Mukund Sapre.
- The details pertaining to the said transactions, along with relevant supporting documentation, was not provided for our review.
- However, it was unusual to note that the actual transaction was undertaken at INR 58.05 crs which was lower than the fair value at which it was approved to be sold to ITNL.

List of representatives of IECCL who had executed the said transactions:

- The below-mentioned table has been prepared on review of the Master Rental Agreement dated 28 March 2017 entered by IECCL with ITNL for sale and lease back transaction.

#	Executor of the transaction
1	Shambhu Mukherjee

Responses provided by the representatives of IECCL:

- *“There is no agreement with ITNL on record to demonstrate potential buyback of equipment from ITNL at the end of lease period.*
- *Present management being unaware of the content of the e-mail, would not like to comment.”*

GT comments on responses provided by the representatives of IECCL:

- The representative of IECCL had provided to us the “Master Rental Agreement” through File Transfer Protocol Server on 09 December 2019. Further, on review of the said agreement, the terms of renting equipment were mentioned.

GT assessment post responses provided by the representatives of IECCL:

- Based on our findings and response received from the representatives of IECCL, our assessment remains unchanged.

6.5 Potential anomalies noted with regards to borrowing facilities obtained by IECCL

Background:

- Based on the review of financial statements of IECCL, during the period 01 September 2012 to 31 March 2018, loan facilities of INR 3,199.89 crs were availed, and a sum of INR 2,089.24 crs was repaid by IECCL. The below table provides details of the same (INR in crs):

Particulars	FY 2013-14 ¹⁸	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	Total
Opening balance of borrowing facilities	1,364.97	1,673.06	1,921.11	1,949.48	1,992.41	-
Loans availed from group companies of IL&FS	1,032.00	558.30	113.71	197.85	709.68	2,611.54
Loans availed from Financial Institutions	295.85	0.23	253.30	5.81	33.16	588.35
Total Loans availed	1,327.85	558.53	367.01	203.66	742.84	3,199.89
Loans repaid to group companies of IL&FS	484.90	-	215.07	101.52	303.34	1,104.83
Loans repaid to Financial Institutions	532.26	310.48	123.57	59.21	-	984.41
Loans repaid	1,017.16	310.48	338.64	160.73	262.23	2,089.24
Adjustments	(2.60)	-	-	-	39.75	-
Closing balance of borrowing facilities	1,673.06	1,921.11	1,949.48	1,992.41	2,512.77	-

Potential anomalies identified:

Transactions that were potentially circular in nature

- Based on our review of the bank statements, the following were the potential anomalies that were noted during our review:
 - Instances, where the loan facilities amounting to INR 528.64 crs availed from IL&FS Limited were potentially utilised to repay its own existing dues of INR 492.04 crs; and
 - Instances where the loan facilities amounting to INR 625.41 availed from one of the group companies of IL&FS and were potentially utilised to repay existing dues of INR 587.54 crs owed to another group companies of IL&FS.
- It was noted that the loan facilities of INR 528.64 crs availed from IL&FS Limited were potentially utilized to repay its own existing dues of INR 492.04 crs on the same or subsequent day. The below table provides details of the instances identified:

#	Nature of receipts from IL&FS Limited	Date of disbursement	Amount disbursed (INR in crs)	Nature of payments to IL&FS Limited	Date of Repayment	Amount Repaid (INR in crs)
1	Loans	30 Dec 2016	14.25	Interest/Guarantee	30 Dec 2016	14.25

¹⁸ The financial statements were prepared for 18 months from 01 October 2012 to 31 March 2014.

#	Nature of receipts from IL&FS Limited	Date of disbursement	Amount disbursed (INR in crs)	Nature of payments to IL&FS Limited	Date of Repayment	Amount Repaid (INR in crs)
2	Loans	14 Sep 2017	1.70	Interest/Guarantee	14 Sep 2017	1.70
3	Loans	14 Sep 2017	5.00	Interest/Guarantee	14 Sep 2017	5.00
4	Loans	14 Sep 2017	4.04	Interest/Guarantee	14 Sep 2017	4.04
5	Loans	27 Sep 2017	30.00	Interest/Guarantee/Dues	27 Sep 2017	30.00
6	Loans	23 Jan 2018	11.80	Loans	24 Jan 2018	11.80
7	Loans	27 Mar 2018	169.00	Loans	27 Mar 2018	169.03
8	Loans	21 May 2018	32.00	Loans	21 May 2018	31.98
9	Loans	28 May 2018	6.20	Interest/Guarantee	29 May 2018	6.71
10	Loans	28 May 2018	1.90	Interest/Guarantee	29 May 2018	1.82
11	Loans	30 Jun 2018	37.75	Guarantee charges	30 Jun 2018	0.70
12	Loans	21 Aug 2018	215.00	Loan/Interest/Guarantee	21 Aug 2018	202.50
				Loan/Interest/Guarantee	23 Aug 2018	12.51
	Total		528.64			492.04

- Further, it was noted that the loan facilities of INR 625.41 crs availed from one of the IL&FS group companies was potentially utilized on the same or subsequent day to repay its dues amounting to INR 587.54 crs owed to other IL&FS group companies. The below table provides details of the instances identified:

#	Loan facilities availed				Loans repaid			
	Name of Party	Nature	Date	Amount (INR in crs)	Name of Party	Nature	Date	Amount (INR in crs)
1	IFIN	Loans	16 Sep 2013	200.00	IL&FS Limited	Loans	16 Sep 2013	194.16
					IL&FS Limited	Interest	16 Sep 2013	5.71
2	IL&FS Limited	Loans	25 Feb 2015	230.00	IMICL	Loans	25 Feb 2015	190.00
					IMICL	Interest	25 Feb 2015	7.34
3	IL&FS Limited	Loans	11 Mar 2015	30.00	IFIN	Loans	11 Mar 2015	30.00
4	IL&FS Limited	Loans	07 Sep 2015	38.41	IFIN	Loans	07 Sep 2015	38.41
5	IFIN	Loans	20 Mar 2017	48.00	IL&FS Limited	Loans	20 Mar 2017	40.00
					IFIN	Interest	20 Mar 2017	8.00
6	TEL	Loans	31 Mar 2017	4.40	TEL	Interest	31 Mar 2017	1.20
					BEGL	Interest	31 Mar 2017	1.14
					IFIN	-	31 Mar 2017	1.55
7	SCOL	Loans	29 Aug 2017	4.60	IFIN	Interest	29 Aug 2017	2.97
					BEGL	Interest	29 Aug 2017	1.12

#	Loan facilities availed				Loans repaid			
	Name of Party	Nature	Date	Amount (INR in crs)	Name of Party	Nature	Date	Amount (INR in crs)
8	RBEL	Loans	27 Sep 2017	62.00	IFIN	Loans	27 Sep 2017	62.00
9	ITNL	Loans	27 Feb 2018	3.00	ITNL	Interest	28 Feb 2018	1.42
					BEGL	Interest	28 Feb 2018	1.13
10	ITNL	Loans	05 Mar 18	5.00	TEL	Interest	05 Mar 18	1.39
	Total			625.41	Total			587.54

- The above instances can be summarised as follows (transaction wise details provided in the above tables):

#	Particulars	Loan availed (INR in crs)	Loans repaid (INR in crs)
1	Loan facilities availed from IL&FS Limited were potentially utilized to repay its own existing dues	528.64	492.04
2	Loan facilities availed from one of the IL&FS group companies were potentially utilized to repay dues owed to other IL&FS group companies	625.41	587.54
A	Sub-total	1,154.05	1,079.58
B	Borrowings from group companies of IL&FS Group	2,611.54	1,104.83
	Percentage of transactions which appear to be circulatory or pass-through in nature (when A is compared with B)	44.19%	97.71%

- Thus, the majority of the borrowing transactions between IECCL and group companies of IL&FS Group appeared to be either circular transactions or pass-through transactions in nature.

Potential anomalies in disclosures of related party transactions:

- As per Accounting Standard - 18 – Related Party Disclosure, a company needs to disclose all the transactions executed with its related parties in the financial statements.
- Based on the review of the related party disclosures and books of accounts, it was noted that IECCL had not made adequate disclosures of related party transactions for certain loan facilities availed from the related parties.

- The below table provides details of transactions that were not disclosed in the related party disclosures:

#	Name of the Related Party	Financial Year	Amount (INR in crs)	Nature of transaction
1	IFIN	2012-14	200.00	Loans availed
2	ISSL	2012-14	182.00	Loans availed
3	IFIN	2014-15	20.00	Loans availed
4	IFIN	2015-16	18.70	Loans availed
5	IFIN	2015-16	6.30	Loans availed
6	RIDCOR	2017-18	20.00	Loans availed
	Total		447.00	

- Thus, it appears that certain transactions were not disclosed in the financial statements. Also, it seems that the non-disclosure of related party transactions was not highlighted by statutory auditors in the audit report of the respective years of IECCL.

List of representatives of IECCL who had approved and executed the said transactions:

“Not Applicable.”

Responses provided by the representatives of IECCL:

- “The fresh loans availed by IECCL from Group were purely to repay existing Loans or Interest of the Group and / or Lenders.”
- “The Current Management can’t comment on why the entities mentioned in the table were not considered as related parties in those particular years. Related party-list used to be provided by ILFS Secretarial/F&A team, and Statutory Auditors used to go by that list.”

GT assessment post responses provided by the representatives of IECCL:

- Based on our findings and response received from the representatives of IECCL, our assessment remains unchanged.

6.6 Potential anomalies with regards to purchases and sub - contractors

6.6.1 Potential anomalies in advances provided to Vadraj Cement Limited

Background:

- IECCL had issued a purchase order dated 06 April 2018 amounting to INR 77.41 crs to Vadraj Cement Limited ('VCL') for the purchase of cement required for its Amravati Chikhli Expressway project.
- It was noted that pursuant to the purchase order IECCL had made advance payments of INR 65.00 crs to VCL.

Potential anomalies identified:

Short term loans provided by IFIN and ITNL were utilized to provide an advance to VCL

- Based on the review of books of accounts of IECCL, it was noted that IFIN and ITNL had provided short term loans of INR 20.01 crs and INR 45.00 crs respectively to IECCL. The said short term loans were provided on 04 April 2018.
- Also, based on the review of the books of accounts of ITNL, it was noted that on 04 April 2018, IFIN had arranged funds of INR 45.00 crs to ITNL, which appears to be provided to IECCL. The below table provides details of the same:

#	First Leg of Transaction			Second Leg of Transaction			Third Leg of Transaction		
	Party Name	Date	Amount (INR in crs)	Party Name	Date	Amount (INR in crs)	Party Name	Date	Amount (INR in crs)
1	IFIN	04 Apr 18	20.01	-	-	-	IECCL	04 Apr 18	20.00
2	IFIN	04 Apr 18	45.03	ITNL	04 Apr 18	45.00	IECCL	04 Apr 18	45.00
	Total		65.01			45.00			65.00

- Further, it was noted that the said short term loans were potentially utilised to provide advances of INR 65.00 crs to VCL 04 April 2018.
- During our review, we had identified an email dated 24 August 2018, which was sent by Vinay Sood (Vice President of IECCL) to Vaibhav Saraf (Assistant Vice President of ITNL), where he had mentioned that IECCL was in receipt of four post-dated cheques ('PDCs') amounting to INR 66.65 crs which were issued by VCL. The said PDCs were kept in the custody of IFIN as a security towards the advance provided by IECCL to VCL for the purchase of cement.
- Also, it was mentioned that IECCL was in the process of encashing the PDCs to realise the advances provided to VCL; however, in case the said PDCs were dishonoured, IFIN would have to undertake the litigation expenses incurred to recover the dues.
- Further, we had also identified another email dated 06 August 2018, which was sent by Sambhu Mukherjee (IECCL) to Amit Shah (Executive Vice President Special Assets Group of IFIN) and Subhash Chandra (Chief Operating Officer of IFIN), where he had mentioned that the short term loan

arrangement of INR 65.00 crs was made at the request of IFIN. It was also noted that Sambhu Mukherjee (IECCL) had requested to settle the said short term loans received from IFIN and ITNL immediately.

- Thus, it appears that IFIN had arranged funds for VCL through IECCL and ITNL, which indicates that the arrangement was potentially a structured transaction.

Advances were provided before the purchase order was issued

- Based on a review of the books of accounts, it was noted that IECCL had provided a part of the advance amounting to INR 23.37 crs to VCL before issuing the purchase order. The purchase order was raised on 06 April 2018. However, part of the advance payments was made on 03 April 2018 and 04 April 2018.
- Thus, it appears unusual that advances were provided to VCL before issuing a purchase order. This also suggests potential lapses in the internal controls of IECCL.

Provision for doubtful debt/ bad debt created for the advances provided to VCL

- IECCL had provided an advance of INR 65.00 crs to VCL for the purchase of cement. However, VCL had neither supplied cement nor refunded the advances provided by IECCL.
- Further, IECCL had presented the PDCs provided by VCL to the bank but were dishonoured.
- During the FY 2018-19, the current management of IECCL had assessed the financial inability of VCL to repay the advances and hence created a provision for doubtful debt/ bad debt amounting to INR 65.00 crs which was given as an advance to the said vendor.

List of representatives of IECCL who had executed the said transactions:

- The below-mentioned table has been prepared on review of a purchase order dated 06 April 2018 amounting to INR 77.41 crs to Vadraj Cement Limited ('VCL') for the purchase of cement required for its Amravati Chikhli Expressway project.

#	Executor of the transaction
1	Mukund Sapre

Responses provided by the representatives of IECCL:

- *"The Current Management had reported Vadaraj Transaction to the New Board. As per the directions of the Board the matter was reported to Ministry of Corporate Affairs (MCA)".*

GT assessment post responses provided by the representatives of IECCL:

- Based on our findings and response received from the representatives of IECCL, our assessment remains unchanged.

6.6.2 Potential anomalies in transaction with Vinati Infratech Private Limited

Background:

- Based on the review of the master records, it was noted that IECCL had engaged Vinati Infratech Private Limited ('VIPL') as a sub-contractor primarily for the Birpur-Bihpur and Patna Gaya projects.
- During the Review Period, it was noted that IECCL had awarded total contracts worth INR 7.11 crs to VIPL.

Potential anomalies identified:

Payment made to VIPL which was not in existence as per the MCA records

- Based on public domain searches, it was noted that the Ministry of Corporate Affairs ('MCA'), through a notification dated 05 May 2017, had issued a list of companies that were removed from the register of companies maintained by MCA.
- The companies were removed/struck off from the MCA records as they had not carried out business operations for the past two financial years and had not applied for dormant status.
- It was noted that VIPL appeared on the said list of companies issued by MCA.
- Based on a review of the books of accounts of IECCL, it was noted that after 05 May 2017 (Notification date) till 30 September 2018, IECCL still made payments worth INR 2.78 crs to VIPL even after the vendor was not in business operation for the past two years.
- Thus, it appears that there was no adequate due diligence carried out by IECCL while onboarding the sub-contractor. Further, it appears that there were potential lapses in internal controls of IECCL as payments were made to companies that potentially did not have ongoing business operations.

Potential anomalies in the contract awarded to VIPL

- It was noted that IECCL had requested quotations for the Birpur-Bihpur road project from three contractors:
 - VIPL;
 - M/s. Maa Tara Construction; and
 - M/s. Honey Infratech
- Based on a review of the quotations submitted by the said contractors, the following potential anomalies were noted:
 - Common contact person: Basis the review of the contact details provided for MAA Tara Constructions and M/s Honey Infra tech on the quotations submitted by them, it was noted that both the numbers as per public domain searches appears to be of Shankar Satish.
 - Similar addresses: The addresses mentioned on the letterhead of M/s. Maa Tara Construction and M/s. Honey Infratech appears to be similar – 'Jail Chowk, Purnea-854301'.

- Similar quotation template: The format of the quotation template submitted by M/s. Maa Tara Construction and M/s. Honey Infratech appears to be similar.
- The above indicates the possibility of different vendors participating in the bidding process, who were under common ownership/management, defeating the purpose of the competitive bidding process.
- Thus, it appears that there were potential issues in the bidding process involved in awarding contracts to VIPL.
- During our review, we further identified an email dated 19 February 2012 sent by Arun Saha (IL&FS Limited) to Sastry Kruppa (Employee of IECCL) wherein Arun Saha (IL&FS Limited) was concerned over the increasing practice of obtaining fake competitive quotes from bidders in IECCL.

List of representatives of IECCL who had approved and executed the said transactions:

“Not Applicable”.

Responses provided by the representatives of IECCL:

- *“As per the quotation, the contact person of MAA Tara Construction is Mr. Vikaram and M/s Honey Infra tech it is contact person Mr. Satish Shankar. We are not aware how GT has mentioned that the contact person is same in the two companies.”*

GT comments on responses provided by the representatives of IECCL:

- Based on the details available on the public domain of the contact details provided for MAA Tara Constructions and M/s Honey Infra tech, it was noted that the contact numbers for both the vendors appeared to be of Shankar Satish.

GT assessment post responses provided by the representatives of IECCL:

- Based on our findings and response received from the representatives of IECCL, our assessment remains unchanged.

6.6.3 Potential anomalies noted in the contract awarded by IECCL to Skylark Infra Engineering Private Limited

Background:

- Contracts awarded by ITNL to IECCL which were further sub-contracted: During the FY 2017-18, it was noted that ITNL had subcontracted different phases of its Amravati Chikhli Expressway Project ('ACEL') to the following parties –
 - IECCL;
 - Beigh Construction Company Private Limited ('BCC'); and
 - Oriental Structural Engineering Private Limited ('OSE').
- The value of the contract which was awarded to IECCL was INR 581.90 crs.
- Further, it was noted that IECCL had further sub-contracted the entire contract at INR 545.00 crs to a joint venture entity which was supposed to be formed between –
 - Ram Kripal Singh Constructions Private Limited ('RKSCPL'), and
 - Skylark Infra Engineering Private Limited ('SIEPL').

Potential anomalies identified:

Potential anomalies in contracts awarded by IECCL to SIEPL

- Based on the review of the sub-contracting agreement between ITNL & BCC and ITNL & OSE, the terms of the said agreement allowed the contractors (i.e. BCC and OSE) to sub-contract to the extent of 25% of the estimated value of the contract awarded by ITNL.
- During our review, we identified an email dated 22 November 2017, which was sent by Divya Chelluri (Employee of IECCL) to Manoj Kumar (Employee of ITNL), where discussions were held with regard to the deletion of the clause which allowed sub-contracting only to the extent of 25% of the estimated value of the contract. Further, based on a review of the agreement dated 23 November 2017 between ITNL and IECCL, it was noted that the above-mentioned clause, which restricted sub-contracting, was not mentioned in the said agreement.
- Also, we identified an email dated 26 February 2018, which was sent by Nagraj BN (Employee of IECCL) to Mukund Sapre (IECCL) where it was mentioned that RKSCPL had expressed its unwillingness to be a partner in the joint venture entity created with SIEPL. Based on approval received from Mukund Sapre (IECCL), it was noted that IECCL had sub-contracted the whole part of the ACEL project to SIEPL rather than the joint venture entity.
- During the FY 2017-18, IECCL had awarded a contract of INR 545.00 crs to SIEPL. On review of the financial statement of SIEPL as available in the public domain, we noted that the amount of the contract awarded was 4.29 times of the revenue (i.e. INR 127 .02 crs) and 8.90 times of the net worth (i.e. INR 61.20 crs) of SIEPL in the FY 2016-17.

- Based on a review of the rating rationale dated 16 October 2018 provided by ICRA (credit rating agency) to SIEPL, it was noted that SIEPL was earlier engaged in providing manpower, toll management, security, and related advisory services. The rating rationale further stated that the order book of SIEPL was heavily dependent on the ACEL project awarded by IECCL, which accounted for nearly half of the total order size. It was also mentioned that the SIEPL was formerly known as Skylark Securities Private Limited.
- On further review, we identified an email dated 11 August 2018, which was sent by VK Tripathi (Assistant Vice President of ITNL) to SC Mittal (Chief Executive of ITNL) wherein a letter with regards to SIEPL was shared. The letter stated that the entire contract awarded to IECCL by ITNL was sublet to SIEPL.
- The letter further stated that SIEPL services did not have the requisite work experience in highway constructions, and earlier, it was engaged on various projects for security services and had made defaults in salary payment to their staff. The letter also highlighted that the entire contract was awarded to SIEPL despite the clause of the term sheet attached with the LOA dated 25 August 2017 requiring that not more than 25% of the estimated contract value can be sub-contracted along with the prior approval of the management.
- Another email was identified dated 29 October 2018, sent by KR Khan (Chief Executive Officer of IECCL) to Krishna Ghag (Assistant Vice President and Company Secretary of ITNL), wherein KR Khan (IECCL) states that he received a message from SIEPL that a cheque bounce case was registered against them as it was facing financial stress and hence it was seeking financial support from IECCL.
- On further review, we identified an email dated 02 August 2018, sent by Sanket Kawathekar (Assistant Manager of ITNL) to Sumesh AS (Employee of IL&FS Limited) and Parag Phanse (Vice President of ITNL), wherein a letter addressed to ITNL was attached, highlighting the defaults made in the bill discounting payment to Tata Capital. It was mentioned that if the payment is not made, then SIEPL would face bankruptcy, and their account would be declared as a Non-Performing Asset by the banking institutions.
- Thus, it appears unusual that even though SIEPL was not financially strong to execute the contract, they were awarded a contract worth INR 545.00 crs.

Potential conflict of interest between sub-contractor and former managing director of IECCL

- Based on a review of certain documentation pertaining to supplier payments provided to us by the representatives of IECCL, it was noted that M/s. Bedrock Chem Infra LLP had raised certain invoices amounting to INR 0.17 crs to SIEPL towards the ACEL project. It was also noted that M/s. Bedrock Chem Infra LLP had supplied bitumen (raw material) to SIEPL, which was an essential component for the road project (i.e. ACEL).

- Based on our public domain searches, it was noted that Ritesh Sapre (Son of Mukund Sapre, IECCL) was one of the partners in M/s. Bedrock Chem Infra LLP. Therefore, this indicates a potential conflict of interest between the former managing director and SIEPL.

List of representatives of IECCL who had executed the said transactions:

- The below-mentioned table has been prepared on a review of the agreement dated 23 November 2017 between ITNL and IECCL

#	Executors of the transaction
1	Mukund Sapre
2	B N Nagaraj

Responses provided by the representatives of IECCL:

- “As per the contract awarded by ITNL, IECCL was not to be paid for a period of 1 year from the date of award of the contract. IECCL decided to give the contract on B2B basis to a sub-contractor. So any sub-contractor to be selected had to demonstrate the capability to arrange requisite funding. It seems that erstwhile Management assessed Skylark as a contractor who was capable of arranging funding and hence it was selected”.*

GT comments on responses provided by the representatives of IECCL:

- While the representatives of IECCL have contended that the decision to appoint Skylark as a sub-contractor was taken by erstwhile management, who adjudged that Skylark was worthy of executing contract work to the tune of INR 545.00 crs; however, our observation was based on the premise of email and document reviews conducted by us, wherein it was potentially observed that Skylark neither possessed requisite experience nor the financial ability to honour a contract worth INR 545.00 crs. Further, a potential conflict of interest between the sub-contractor of Skylark (M/s. Bedrock Chem Infra LLP) and the former managing director of IECCL (Mukund Sapre) was noted during our review, for which no response or justification was provided by representatives of IECCL.

GT assessment post responses provided by the representatives of IECCL:

- Based on our findings and response received from the representatives of IECCL, our assessment remains unchanged.

6.6.4 Other potential anomalies

Instances of potential bogus (fake/dummy) purchases transactions noted in IECCL

- M/s. Poddar Enterprises and M/s. Jagdamba Traders were the vendors of the IECCL from whom steel was purchased.
- During our review, we identified an email dated 29 December 2010, which was sent by Rajesh Sunkaraveera (Employee of IECCL) to Naresh Penumetcha (IECCL) with regard to the purchase of steel from M/s Poddar Enterprises and M/s Jagdamba Traders.
- From the said email, it was noted that two purchase orders ('PO') were raised to procure steel from the below-mentioned vendors:

#	Name of the vendor	PO Number	Date	Amount (INR in crs)
1	Poddar Enterprises	PO/1037/M/0373	03 Oct 2010	0.92
2	Jagdamba Traders	PO/1037/M/0374	03 Oct 2010	0.72
	Total			1.64

- It was mentioned in the said email that Inward Receipts Notes ('IRN') were generated against the above-referred PO, and actual material (i.e. steel) was not received at the site. Further, it was mentioned that supporting documentation such as tax invoices, delivery challans of the supplier, weighbridge slip, and transporter's consignment note were also fabricated.
- We had identified another email dated 29 December 2010, which was sent by Naresh Penumetcha (IECCL) to Vimal Kaushik (Former Managing Director and CEO of IECCL), Sandeep Garg (Former Chief Operating Officer of IECCL), and Subbaraju Kallepali, wherein it was stated that the steel purchased from M/s. Poddar Enterprises and M/s. Jagdamba Traders for the Pune Sholapur Road Project appeared to be fake. It was also stated that Sandeep Garg (Chief Operating Officer – Head Office, Gurgaon at IECCL) had given his approval for the said purchases to provide for certain future payments.
- Thus, it appears that potential bogus purchase transactions were undertaken by IECCL amounting to INR 1.64 crs. This also suggests lapses in the internal control of purchases by IECCL.

List of representatives of IECCL who had approved and executed the said transactions:

"Not available as response provided by the present management states that said data is not traceable."

Responses provided by the representatives of IECCL:

- *"The observation is based on email as mentioned by GT, without providing any verification details. The old order as listed in the table are of year 2010 and the same are not traceable."*

GT comments on responses provided by the representatives of IECCL:

- The response provided by the representative of IECCL require the verification details, which has already been provided in the report, wherein details such as Name of the vendor, PO Number, Date of transaction and amounts are included. Further, it is important to note that the discussions are between the employees of the IECCL, and as per the email conversations, it appears that the observation was also confirmed by one of the representatives of IECCL.

GT assessment post responses provided by the representatives of IECCL:

- Based on our findings and response received from the representatives of IECCL, our assessment remains unchanged.

Instances of transactions with entities that were classified as shell companies by MCA

- Based on public domain searches, it was noted that the Bombay Stock Exchange ('BSE'), in coordination with MCA, had issued a list of 331 companies that were classified as shell companies on which MCA directed maximum surveillance.
- During our review, it was noted that two vendors and two customers of IECCL were forming part of the list of shell companies issued by MCA. The below table provides details of the said vendors and customers:

#	Name of the entity	Nature	Transactions during the Review Period (INR in crs)
1	J Kumar Infra Projects Limited ('JKIPL')	Customer	5.53
2	Parsvnath Developers Limited ('PDL')	Customer	1.33
3	Arss Infrastructure Project Limited ('AIPL')	Vendor	0.40
4	Koa Tools India Limited ('KTIL')	Vendor	0.20
	Total		7.46

- The details pertaining to the said transactions, along with relevant supporting documentation, was not provided for our review purposes.
- Thus, it appears that during the review period, IECCL had undertaken transactions amounting to INR 7.46 crs with entities that were classified as shell companies by MCA.

List of representatives of IECCL who had approved and executed the said transactions:

"Not Applicable."

Responses provided by the representatives of IECCL:

- *"It seems from the records that contracts were received from parties in s.no.1 and 2 and awarded to parties in s.no.3 and 4 before their classification as shell companies by MCA."*

GT Comments on the responses provided by the representatives of IECCL:

- The order of SEBI communicating the list of 331 entities, which were categorized as shell companies, including the four (4) entities cited above, was issued on 09 June 2017. Further, it is imperative that SEBI tracks an entity /company's activities holistically over a considerable period before adjudging the cited entity/company as a shell company and not suddenly on a specific date example - 09 June 2017.
- Additionally, transactions with the cited entities are just prior to 2 to 3 years before getting classified as shell companies.

GT assessment post responses provided by the representatives of IECCL:

- Based on our findings and response received from the representatives of IECCL, our assessment remains unchanged.

Unidentified transactions recorded in the books of accounts

- As per the review of the books of accounts, it was noted that certain unreconciled transactions were recorded under the heading 'Advance to Supplier (Domestic)'. Further, it was noted that the total sum of debit and credit under the above head amounted to INR 17.80 crs and INR 13.52 crs, respectively.
- These transactions were recorded for the unreconciled transactions, and further, no particulars/party names were mentioned on the said transactions.
- Based on clarification dated 14 December 2019 received from the representatives of IECCL, we were informed that the said transactions were in the nature of loans and advances or balances with vendors. However, no other details pertaining to the said records were available with them or provided to us for our review purposes.
- Thus, it appears that unreconciled transactions or transactions for which no details were available were recorded under the heading 'Advance to Supplier (Domestic)' whose aggregate value was INR 31.32 crs.

List of representatives of IECCL who had approved and executed the said transactions:

"Not Applicable"

Responses provided by the representatives of IECCL:

- *"In FY 13 the old ERP system was migrated to new Oracle ERP. There were migration entries from earlier Site ERP System to Oracle ERP. These entries were provided as trial balance, which was uploaded in GL. Later, it seems that in 2014-2015 sub-ledger and GL matching exercise was carried out under the guidance of Group CTO. Wherever vendors could not be identified, those were shifted from GL to Sub-ledger (AP) under unidentified vendor so that GL and Sub-Ledger details match. The*

Current management is not aware of transactions in un-identified vendor. Further, there are unidentified liabilities also of similar amount in ERP. However GT team has considered only one leg.”

GT comments and assessment on responses provided by the representatives of IECCL:

- Representatives of IECCL in the responses themselves have stated that they are unable to identify the vendors. Further, it appears unusual that despite seven years that have passed since the ERP migration, the said ledger of “Advance to Supplier (Domestic)” remained unreconciled.
- Thus, our observation pertains to a reconciliation of unreconciled advances to unidentified suppliers, which did not appear to be appropriately addressed.

Instances where contracts were awarded to vendors who had potential nexus/conflict of interest with the employees of IECCL

- As per the Human Resource Departmental Manual of IECCL, it was noted that the employees should declare any business or other external interests that have a real or perceived conflict of interest to IECCL.
- Based on the review of the vendor and employee masters of IECCL, that the following was noted:
 - Instances where the vendors and employees had common Know Your Customer ('KYC') details.
 - IECCL had awarded contracts to / availed services from the said vendors at or about the time when the employees who had common KYC were on the payroll of IECCL.
- The below table provides details of the instances identified:

#	Name of the employee	Designation of Employee	Name of the vendor	Common KYC details	Amount (INR in crs)
1	Manas Bourtomuly	General Manager– Project Management	M/s. MHDC	PAN and address	1.16
2	Swapan Deb	Senior-Vice President– Power Sector	Engorithm Tech Private Limited ('ETPL')	Address	0.60
3	Ashok Almel	Officer – Finance and Accounts	M/s. Ashok Almel	PAN and address	0.10
	Total				1.86

- Contracts awarded to M/s. MHDC:
 - It was noted that IECCL had awarded maintenance contracts of INR 1.16 crs to MHDC in January 2017.

- Further, Manas Bourtomuly was an employee of IECCL since August 2014. It was also noted that the PAN (AMJPB8611R) and address (SK Barua Road, Rukhmani Nagar, Guwahati, Assam – 781006) was the same as that of MHDC.
- **Purchase of software from ETPL:**
 - In August 2017, IECCL had purchased software ‘InfraStich’ amounting to INR 0.60 crs from ETPL.
 - As per MCA records, it was noted that the shareholders of ETPL were Madhumita Deb and Sourabh Dev who were wife and son of Swapan Deb (Vice President – Power Sector of IECCL).
 - We had also identified an email dated 03 July 2018, which was sent by Umang Mohan (Vice President - Internal Audit of IECCL) to Anoop Agarwal (Sector Head – Oil & Gas of IECCL), where it was mentioned that the said software did not get clearance from IT Team and also did not comply with the IT policy of IECCL and IL&FS Group. Further, it was also mentioned that purchase orders worth INR 0.22 crs for the purchase of said software was approved by Swapan Deb.
- **Contracts awarded to M/s. Ashok Almel:**
 - During the FY 2010-11, IECCL had awarded multiple contracts worth INR 0.10 crs to M/s. Ashok Almel.
 - As per employee records of IECCL, it was noted that Ashok Almel was an employee with IECCL since 2006.
 - Further, it was noted that both Ashok Almel and M/s. Ashok Almel had the same PAN.
- Thus, based on a review of the above, it appears that there was a potential nexus/conflict of interest between certain employees and vendors of IECCL. However, as per the Human Resource Departmental Manual of IECCL, such disclosure and compliance with the policy were not followed.

List of representatives of IECCL who had approved and executed the said transactions:

“Not Applicable”

Responses provided by the representatives of IECCL:

- *“Mr. Swapan Deb’s case has duly been highlighted to the new Board by the current Management and his Full and Final has been withheld”*
- *“Please find below employment details of Ashok Almel: From 1st August’14 he is on permanent rolls. However, transaction pertains to 2009-2010 period”*

May-06	To	Nov 2007	KANPUR	Temporary roll – Site Appointee
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Nov-07	To	Dec 2013	KERELA	Temporary roll – Site Appointee
Dec-13	To	July-14	ORCHID	Temporary roll – Site Appointee

GT assessment post responses provided by the representatives of IECCL:

- Based on our findings and response received from the representatives of IECCL, our assessment remains unchanged.

Potential discrepancies in the vendor master maintained by IECCL

- Based on the review of vendor master, it was noted that certain vendors had common KYC details such as PAN, GSTIN, TIN, and bank account numbers. The below table provides details of the vendors with common KYC details:

#	Particulars – Vendor having common	Number of cases identified*	Number of vendors
1	PAN	487	1,023
2	GST number	35	76
3	TIN	51	115
4	Bank account number	63	127
	Total	636	1,341

*Note: The vendors with identical KYC details were classified as one case, for instance, if three vendors had the same PAN, they were considered as 1 case.

- We had also identified 18 vendors where a mismatch was noticed between the PAN and GST numbers. (GST number is a 15-digit state-specific unique number that contains the 10 digits of the PAN of a person.)
- Based on a review of the books of accounts, it was noted that during the Review Period, IECCL had issued purchase orders worth INR 1,373.38 crs to the said vendors.
- We had rolled out the samples for 1250 vendors out of 1341 vendors. However, since each vendor was involved in the multiple projects, the total samples rolled out were 1915. Below is the data status summary of the samples received:

Data Status	Quotation	Price Comparison	Management approval	Subcontractor agreement	Invoices ¹⁹	Purchase Order and Work Order
Provided	121	107	199	47	753	650
Not Provided²⁰	1794	1808	1716	1868	1162	1265
Total samples	1915	1915	1915	1915	1915	1915

¹⁹ Includes related supporting documents such as IRN Report, RA Bill, Summary Bill and Payment Certificate.

²⁰ Data not provided due to data being Not Accessible/ Not Traceable/ Not Prepared/ Not Available/Not Applicable

- We had received complete supporting documents for only 12 samples, for the remaining samples, we had received partial supporting documents. Further, even vendor transaction dump was not made available for our review.
- Thus, given the above discrepancies in the vendor master, it raises concerns over all the payments made to the vendors, process followed in awarding the contracts. Also, critical data pertaining to the majority of the vendors were not provided, which further raises suspicion over the total quantum of the issues that might be involved in IECCL.

List of representatives of IECCL who had approved and executed the said transactions:

“Not Applicable.”

Responses provided by the representatives of IECCL:

- *“The master data in current Oracle ERP system was migrated from earlier “SITE ERP” system wherein party accounts were created for each project of IECCL where they were working, thus creating duplicate vendor codes in the system. But only new codes were in use.”*
- *“We are unable to comment in the absence of details of 18 vendors.”*

GT Comments on responses provided by the representatives of IECCL:

- The observation pertains to the identical KYC details for unique vendors and not duplicate vendor codes.
- The details of the 18 vendors are provided in the annexure to this Report.

GT assessment post responses provided by the representatives of IECCL:

- Based on our findings and response received from the representatives of IECCL, our assessment remains unchanged.

6.7 Potential anomalies identified in the projects executed by IECCL

6.7.1 Potential anomalies noted in projects identified through multiple whistleblower complaints

- During our review, we identified numerous email communications which highlighted whistleblower ('WB') complaints with regards to the business operations of IECCL. However, based on clarification dated 22 November 2019, we were informed by the representatives of IECCL, that there were no whistleblower complaints received by IECCL during the Review Period.
- Thus, it appears unusual that even after multiple whistleblower complaints highlighting various issues in the projects, no documentation such as actions taken or investigation report are available with the representatives of IECCL.
- However, from the below-mentioned whistleblower emails, it appears that there are multiple issues with regard to projects as well as subcontractors. However, due to multiple data limitations, the claims by the said whistleblowers cannot be verified.
- The below table provides details of the same:

#	Particulars	
1	Date: 01 December 2017	From: Arindam Mukhopadhyay To: Mukund Sapre (IECCL)
	<p><u>WB complaint pertaining to the project:</u> Chennai Metro Rail Project ('CMRL')</p> <p><u>Issue highlighted by WB:</u> Unethical and improper practices carried out in the CMRL project by the site management in liaison with their relatives.</p> <p><u>Contents of the WB Complaint:</u></p> <ol style="list-style-type: none"> 1. The excavated earth was sold in large volume by agencies named M/s. Raj Construction and M/s. JK Enterprise who were appointed as excavation and disposal contractor. 2. Reinforcement and steel scrap were sold secretly with the direct involvement of the project director of CMRL. 3. The project director had appointed his known contractors. 4. Certain malpractices were carried out for the head office staff at the company guest house. <p><u>Responses provided by the representatives of IECCL:</u> "Was not reported to WBIC ('Whistle Blower Internal Committee ') for further action"</p>	
2	Date: 30 May 2016	From: kmrailp@yahoo.com To: MD Khattar (IECCL)
	<p><u>WB complaint pertaining to the project:</u> Kolkata Metro Rail Project ('KMRP')</p> <p><u>Issue highlighted by WB:</u> Operational issues in the KMRP projects and the employees at the site had colluded with the sub-contractors.</p>	

#	Particulars		
	<p><u>Contents of the WB Complaint:</u></p> <ol style="list-style-type: none"> 1. An employee of IECCL had certified incorrect subcontractor's bills and acquired land based on funds collected from the contractor(s). 2. Another employee had certified incorrect purchase and maintenance bill of plant and machinery. Low-quality material was purchased for the site. <p><u>Responses provided by the representatives of IECCL:</u> <i>“Was not reported to WBIC (‘Whistle Blower Internal Committee’) for further action”</i></p>		
3	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; padding: 5px;">Date: 28 March 2012</td> <td style="width: 50%; padding: 5px;">From: Shrikant Dash To: Tarun Udwal and CS Raju</td> </tr> </table> <p><u>WB complaint pertaining to the project:</u> Jajpur Project, Odisha</p> <p><u>Issue highlighted by WB:</u> Allegations that the site employees were corrupt and unethical.</p> <p><u>Contents of the WB Complaint:</u></p> <ol style="list-style-type: none"> 1. It was alleged that the engineers and officials appointed by IECCL were corrupt and unethical. 2. Certain officials of IECCL were involved in the issuance of work orders unethically and were earning revenue by providing poor quality materials. 3. The project manager was charging a substantial amount in order to clear the bills of the contractors and to provide service to the villages. 4. The site engineer was corrupt and was potentially involved in the installation and supply of electricity by passing false work orders. <p><u>Responses provided by the representatives of IECCL:</u> <i>“Whistle Blower Policy came into existence in August 2014”</i></p>	Date: 28 March 2012	From: Shrikant Dash To: Tarun Udwal and CS Raju
Date: 28 March 2012	From: Shrikant Dash To: Tarun Udwal and CS Raju		
4	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; padding: 5px;">Date: 21 April 2016</td> <td style="width: 50%; padding: 5px;">From: Rajni Sharma To: MD Khattar (IECCL)</td> </tr> </table> <p><u>WB complaint pertaining to the project:</u> Patna Gaya Project</p> <p><u>Issue highlighted by WB:</u> Allegations that the site employees were corrupt and unethical.</p> <p><u>Contents of the WB Complaint:</u></p> <ol style="list-style-type: none"> 1. The local staff was involved in carrying out other business activities like property dealings as well as utilized and invested company resources like vehicles, manpower and funds towards property dealing work. 2. Few site employees were involved in corrupt practices and used to seek unethical favours from the contractors. <p><u>Responses provided by the representatives of IECCL:</u> <i>“Anonymous email not to be considered under WBP (‘Whistle Blower Policy’) at that time of receiving this anonymous email”</i></p>	Date: 21 April 2016	From: Rajni Sharma To: MD Khattar (IECCL)
Date: 21 April 2016	From: Rajni Sharma To: MD Khattar (IECCL)		

#	Particulars	
5	Date: 17 September 2012	From: pkmaytas@rediffmail.com To: info@ilfsindia.com
<p><u>WB complaint pertaining to the project:</u> Orissa and West Bengal Project</p> <p><u>Issue highlighted by WB:</u> Allegations against the assistant vice president of the power sector</p> <p><u>Contents of the WB Complaint:</u></p> <ol style="list-style-type: none"> 1. It was alleged that the assistant vice president of the power sector would collect sums from the corrupted project managers and approve the unfair practices in Orissa and West Bengal project sites. 2. It was further alleged that the balance of unused materials or assets at the site were taken by the project managers and were sold in the market with the assistance of the subcontractors. <p><u>Responses provided by the representatives of IECCL:</u> <i>"Whistle Blower Policy came into existence in August 2014"</i></p>		
6	Date: 31 December 2012	From: Chetan Krishna To: Ravi Parthasarathy (IL&FS Limited), Hari Sankaran (IECCL), K Ramchand (IECCL) and Arun Saha (IL&FS Limited)
<p><u>Complaint pertaining to:</u> Potential bribe scam in Hyderabad Office of IECCL</p> <p><u>Contents of the complaint:</u> The email indicated that there was a potential bribe scam in the sales tax department of IECCL. Further, IECCL had potentially purchased bogus/fake bills in the name of consultants. There was a potential kickback of INR 0.90+ crs from the consultants over a period of 2 years.</p> <p><u>Responses provided by the representatives of IECCL:</u> <i>"Whistle Blower Policy came into existence in August 2014"</i></p>		
7	Date: 26 April 2018	From: Srinivas Rao To: Sitaraman Ramachandran (IECCL)

<p><u>Complaint pertaining to the project:</u> Polavaram Project</p> <p><u>Contents of the complaint:</u></p> <ol style="list-style-type: none"> 1. The email indicates a potential allegation raised by Srinivas Rao, an ex-employee of IECCL, against the key representatives of IL&FS Group regarding subcontracting of work to two agencies. 2. It was mentioned that out of the two agencies to whom contracts were awarded, one of the agencies was involved in a scam in a railway sector project of IL&FS Group in Maharashtra. Further, no questions or enquiries were raised by the KMPs of IECCL. There were potential allegations that the said agency had cheated IL&FS Group. <p>The complaint email did not specify the names of the agencies involved.</p> <p><u>Responses provided by the representatives of IECCL:</u> <i>“CEO (‘Chief Executive officer’) forwarded email to PKG (‘Pradeep Kumar Goyal’) and asked for advise. CEO took feedback from Irrigation Department. PKG met with CEO. Since Srinivasa Rao was a termination case, CEO advised not to take it under WBP for further action. It was not a Whistle Blower Complaint. PKG advised Alak to investigate and report.”</i></p> <p><u>GT Comments on responses provided by the representatives of IECCL:</u> The response provided by representatives of IECCL does not contain any supporting documents such as an investigation report for the responses provided.</p>											
8	<p>Date: 19 January 2018</p> <p>From: Alak Pan</p> <p>To: Pradeep Goyal (IECCL)</p>										
<p><u>Complaint pertaining:</u> Potential involvement of employees in a scam</p> <p><u>Contents of the complaint:</u> It was mentioned in the email that there were possible scams in the store, procurement, and quality control department of IECCL. The employees of IECCL had admitted to recording inward entries of rejected materials in the stores for monetary benefits. There were potential issues in the sale of high-speed diesel.</p> <p><u>Responses provided by the representatives of IECCL:</u></p> <table border="1"> <thead> <tr> <th>Date</th> <th>Remark 1</th> </tr> </thead> <tbody> <tr> <td>19.01.2018</td> <td>Alak Pan wrote to PKG & Rajesh Kumar (SH)</td> </tr> <tr> <td>19.01.2018</td> <td>Pradeep wrote back to Alak with cc to CEO & SH recommending transfer concerned person to another site to start fair investigation</td> </tr> <tr> <td>20.01.2018</td> <td>SH forwarded email to MD</td> </tr> <tr> <td>20.01.2018</td> <td>MD forward SH email to PKG with ?????</td> </tr> </tbody> </table>		Date	Remark 1	19.01.2018	Alak Pan wrote to PKG & Rajesh Kumar (SH)	19.01.2018	Pradeep wrote back to Alak with cc to CEO & SH recommending transfer concerned person to another site to start fair investigation	20.01.2018	SH forwarded email to MD	20.01.2018	MD forward SH email to PKG with ?????
Date	Remark 1										
19.01.2018	Alak Pan wrote to PKG & Rajesh Kumar (SH)										
19.01.2018	Pradeep wrote back to Alak with cc to CEO & SH recommending transfer concerned person to another site to start fair investigation										
20.01.2018	SH forwarded email to MD										
20.01.2018	MD forward SH email to PKG with ?????										

	22.01.2028	PKG sent Initial Steps Taken report to MD
	22.01.2018	MD forwarded PKG's email to CEO with adverse comments on CEO
	22.01.2018	CEO replied back to MD stating "On 19/01/2018 upon getting mail from site I reported to you and asked your approval for filling FIR same day"
	23.01.2018	Call from MD to CEO with an advise "no further action"
9	Date: 02 June 2016	From: S Rajesh (Former General Manager Internal Audit of IECCL) To: Arun Saha (IL&FS Limited)
	<p><u>Contents of the complaint:</u></p> <p>1. It was noted that S Rajesh had filed a complaint to a Member of Parliament regarding audit findings pertaining to-</p> <ul style="list-style-type: none"> o Accounting for fake bills for work not performed and material not procured and thereby siphoning of funds. o Creation of fictitious accounts in the name of non-existent companies, individuals, and other fake documentation. o Inflation of revenue and profit margins to show loss-making projects as profitable. o Accounting for rejected claims for inflation of revenue. <p>2. It was also noted that S Rajesh had approached Arun Saha (IL&FS Limited) in relation to the above-mentioned audit findings, but no action was taken.</p> <p>Thus, it appears that there were multiple issues noted in the internal audit of IECCL, and no actions were taken by the then KMPs of IL&FS.</p> <p><u>Responses provided by the representatives of IECCL:</u> "AS (Mr Arun Saha) called MDK (Mr M D Khattar), MDK called PKG and advised to meet with Rajesh who was seeking re-employment. Rajesh was GM in Internal Audit Department. PKG wrote email to Rajesh requesting him to meet in office on 15th June'16. Rajesh did not come. After that no communication with Rajesh."</p> <p><u>GT Comments on responses provided by the representatives of IECCL:</u></p> <p>IECCL has stated that while senior management attempted to connect with one of the whistle-blowers; however, the whistle-blower failed to meet with the senior management. However, the said response does not address the issues raised.</p>	

GT assessment post responses provided by the representatives of IECCL:

- Based on our findings and response received from the representatives of IECCL, our assessment remains unchanged.

6.7.2 Potential anomalies noted Project Wise from the limited data available

6.7.2.1 Patna Gaya Dobhi Project

Background:

#	Particulars (as on 31 March 2018)	Details/ Amounts (INR in crs)
1	Name of the client	NHAI
2	Project Start Date	01 December 2014
3	Project (Estimated) Completion Date	13 December 2019
4	Project Cost	1206.34
5	Actual Cost as on 31 March 2018	185.38
6	Contract Price	1232.82
7	Revenue Recognised	189.45
8	UBR (Forming part of Revenue)	133.04
9	Claims Recognised (Forming part of Revenue)	0.00
10	Status of the project as on 31 March 2019	Foreclosed
11	Write-off as on 31 March 2019	150.18

Data Provided:

#	Particulars	Data Status
1	Budgets at the time of bidding the contract	x
2	Contract or Agreement between IECCL and Clients	x
3	AS-7 workings for revenue recognized in the books of accounts	x
4	Bidding documents for contracts awarded by IECCL	x
5	Detailed party-wise cost/expenses incurred to execute the project	x
6	Work completion certificates / Physical Progress reports	x
7	Project trial balance	✓
8	Vendor trial balance / Ledger of the vendors	x
9	Year on year cash flow statements of the project	✓
10	Details of claims raised to the clients	x

Potential anomalies identified:

Instances that indicated that there was no construction activities or progress on the project:

- Review of UBR Workings: Based on a review of the workings provided by the representatives of IECCL, it was noted that the project was started during the FY 2013-14 and was expected to be complete by FY 2018-19. However, there was no significant progress on the project till 31 March 2017. Further, as on 31 March 2018, the project was ~15% completed.
- Review of email correspondences: During our review, we had identified an email dated 14 January 2018, which was sent by Mukund Sapre (IECCL) to K Ramchand (IECCL), where he had highlighted certain issues in projects which were executed by IECCL. It was mentioned in the said email that there was no progress in the Patna Gaya project for the past three years (FY 2014-15, FY 2015-16, and FY 2016-17). Further, as of January 2018, the activities on the said project had just started.

- Further, we identified another email dated 08 December 2018, sent by Umang Mohan (IECCL) to Pavas Agarwal (IECCL) where Umang Mohan had stated that the situation of the project site required immediate attention of the management. He further highlighted that unethical activity, including selling of materials without the permission of head office in collusion by subcontractors, employees of IECCL, vendors, is being carried out at the site, and all the major transactions at the site are required to be verified by the Internal Auditor.
- Based on the aforesaid emails, it appears that significant construction activities were not undertaken on the Patna Gaya Project till December 2018, and there was a lack of control over the project site by the IECCL head office.

Anomalies as identified during the review of Internal Audit Reports:

- During the review of the Internal audit report of the Patna Gaya Dobhi Project, it was noted that there was a revenue deficit of INR 130.43 crs (contract revenue INR 103.33 crs – total expenses INR 233.76 crs) as on 30 June 2018. The internal auditor further highlighted that said deficit was on account of abnormally high direct expenses of INR 169.50 crs out of total 233.76 crs.
- We further cross verified the figures as mentioned in the aforesaid internal audit report with the UBR working provided by IECCL, it was noted that there was a difference of INR 135.67 crs in the revenue figures. Below table provides details of the same:

Particulars (as on 30 June 2018)	Amount
Revenue as per UBR working	239.00
Revenue as per Internal Audit Report	103.33
Variance	135.67

- The following points were further highlighted by the Internal Auditors:
 - Diesel expenses accounted for in the project were not commensurable with the project execution rate resulting in abnormally high diesel consumption of INR 12.74 crs.
 - Direct Work Order ('WO') was awarded to M/s SKS Construction amounting to INR 3.44 crs without carrying out the bidding process as per the policy of IECCL. Further, it was noted that there was no retention clause in the WO.
 - Payment worth of INR 1.78 crs was made to the subcontractor without the submission of Invoices, further authenticated supporting documents were not found by Internal Auditors during the bills verifications.

Identified whistleblower complaints

- During our review, we had identified an email dated 21 April 2016, which was sent by Rajni Sharma (Employee of IECCL) to MD Khattar (IECCL), highlighting potential allegations that the Patna Gaya site employees were corrupt and unethical.
- Further, the above email highlighted the following allegations:
 - The local staff was involved in carrying out other business activities like property dealings as well as made use of company resources like vehicles and manpower and invested the resources towards the property dealing work.
 - Few site employees were involved in corrupt practices and used to seek unethical favours from the contractors.

Pre-recognition of the revenue before completion of the work:

- Based on the review of the CTC working for the quarter ended 30 June 2018, we noted the profit of INR 6.03 crs was recorded however, the UBR working provided for the same quarter shows the loss of INR 139 crs. Hence it appears that there are potential mismatches in the CTC working and UBR working provided to us.
- During the FY 2018-19, it was noted that the unbilled revenue of INR 150.18 crs pertaining to the Patna Gaya project was written off from the books of accounts (includes unbilled revenue recognised during the FY 2018-19 and written off in the same year).

Summary:

- Thus, from the facts mentioned above, it appears that
 - IECCL had incurred a cumulative cost of INR 79.23 crs and INR 185.38 crs for the FY 2016-17 and FY 2017-18, respectively.
 - Mukund Sapre (IECCL), in his mail communication, had stated that there were no construction activities in the past three years on the Patna Gaya project (FY 2014-15, FY 2015-16, and FY 2016-17), which appears unusual as IECCL had incurred a cost of INR 185.38 crs until FY 2017-18.
 - Unbilled revenue of INR 133.04 crs was recognised in the books of accounts of IECCL during FY 2017-18; however, there were no construction activities on the Patna Gaya project.
 - There were potential lapses in the internal controls at the project in terms of onboarding and payments made to subcontractors.
 - During the FY 2018-19, the management of IECCL has written off a UBR of INR 150.18 crs pertaining to the Patna Gaya project.

Responses provided by the representatives of IECCL:

#	Particulars	Data Status	IECCL Reply
1	Budgets at the time of bidding the contract	x	GT has not commented on status of data provided by IECCL and hence it was considered as received by GT.
2	Contract or Agreement between IECCL and Clients	x	GT has not commented on status of data provided by IECCL and hence it was considered as received by GT.
3	AS-7 workings for revenue recognised in the books of accounts	x	Refer the reply mentioned in point no. 1.
4	Bidding documents for contracts awarded by IECCL	x	-
5	Detailed party-wise cost/expenses incurred to execute the project	x	Refer the reply mentioned in point no. 1.
6	Work completion certificates / Physical Progress reports	x	Work completion certificates is not available since the project is foreclosed. For Physical progress reports, GT has not commented on status of data provided by IECCL and hence it was considered as received by GT.
7	Project wise trial balance	✓	-
8	Vendor wise trial balance / Ledger of the vendors	x	IECCL has provided vendor ledgers for around 200 vendors as asked by GT. Further, GT had full access to ERP system for downloading the reports.
9	Year on year cash flow statements of the project	✓	Refer the reply mentioned in point no. 1.
10	Details of claims raised to the clients	x	-

- *"The email being referred to here is after the crisis when the vendors had locked down the site due to non-payment and the employees were being threatened. There are lot of email exchanges with the new Board for permission to pay the preoct'18 dues to safeguard the assets. The situation was brought under control with intervention from Police. Even today the site is not accessible to us."*

GT Comments on the responses by representatives of IECCL:

- While GT noted the responses of representatives of IECCL in relation to GTs observations on data limitations; however, GT requests representatives of IECCL to kindly refer GTs comments for 'limitations with regards to data shared' (ref: Heading 1 of this report) to avoid reiteration of data limitation in our report. Further, representatives of IECCL have not commented on the observations stated in the Report.

GT assessment post responses provided by the representatives of IECCL:

- Based on our findings and response received from the representatives of IECCL, our assessment remains unchanged.

6.7.2.2 Kiratpur Ner Chowk Road Project

Background:

#	Particulars (as on 31 March 2018)	Details/ Amounts (INR in crs)
1	Name of the client	ITNL
2	Project Start Date	01 May 2013
3	Project (Estimated) Completion Date	31 May 2018
4	Project Cost	1116.03
5	Actual Cost as on 31 March 2018	1115.85
6	Contract Price	1194.00
7	Revenue Recognised	1193.81
8	UBR (Forming part of Revenue)	137.33
9	Claims Recognised (Forming part of Revenue)	0.00
10	Status of the project as on 31 March 2019	Completed
11	Write-off as on 31 March 2019	11.98

Data Provided:

#	Particulars	Data Status
1	Budgets at the time of bidding the contract	x
2	Contract or Agreement between IECCL and Clients	✓
3	AS-7 workings for revenue recognised in the books of accounts	x
4	Bidding documents for contracts awarded by IECCL	x
5	Detailed party-wise cost/expenses incurred to execute the project	x
6	Work completion certificates / Physical Progress reports	x
7	Project trial balance	✓
8	Vendor trial balance / Ledger of the vendors	x
9	Year on year cash flow statements of the project	x
10	Details of claims raised to the clients	x

Potential Anomalies Identified

Potential anomalies pertaining to subcontractors:

- **M/s Maccafem:** During our review, we identified an email dated 19 May 2014, which was sent by Rajesh Sunkaraveera (IECCL) to Suguna Mudundi (IECCL), wherein it was noted that there was a mismatch of INR 3.37 crs in the value of the materials as per the amount recorded in the books (INR 3.97 crs) vis-à-vis the amount as determined based on physical verification (INR 0.60 crs) with respect to the sub-contractor M/s Maccafem in the project Four Laning Of Kiratpur Ner Chowk.
- Thus from the above, it appears that there might be a potential difference of INR 3.37 crs in the value of inventory in the FY 2014-15.
- **M/s Mythri Projects:** During our review, we identified an email dated 04 May 2015, which was sent by Krishnaprasad Rayi to Surjit Singh and Thakurprasad Singh, wherein it was noted that M/s Mythri

Projects had expressed their disinterest to execute the contract for the Project Four Laning Of Kiratpur Ner Chowk.

- It was also stated that there was a difference of INR 9.00 crs between the amount recorded in the books of accounts of IECCL vis-à-vis the actual work done by the said sub-contractor.
- Thus from the above, it appears that there was a potential mismatch in the value recorded in the books of accounts and work completed by the sub-contractor in FY 2015-16.

Potential anomalies in subcontractor expenses recognized in the books of account:

- During our review, we identified an email dated 29 June 2015, which was sent by Ashutosh Chandwar (Senior Vice President and North Regional Head at ITNL) to Mukund Sapre (ITNL), wherein it was noted that IECCL had pre-recorded the sub-contractor expenses pertaining to Project Four Laning of Kiratpur Ner Chowk in the books of accounts.
- Further, the email mentions a list of 36 subcontractors of project Four Laning Of Kiratpur Ner Chowk. against whom subcontractor expenses had been booked till June 2014 amounted to INR 215.87 crs in comparison with the value of the actual work done up to May 2015, which amounted to INR 112.30 crs executed by these sub-contractors.
- The amount of excess expenditure that appears to be recorded was INR 103.57 crs.
- Thus, it appears that there were potential anomalies with regards to transactions recorded in the books of accounts with the identified sub-contractors.

Responses provided by the representatives of IECCL:

#	Particulars	Data Status	IECCL Reply
1	Budgets at the time of bidding the contract	x	GT has not commented on status of data provided by IECCL and hence it was considered as received by GT.
2	Contract or Agreement between IECCL and Clients	✓	-
3	AS-7 workings for revenue recognised in the books of accounts	x	Refer the reply mentioned in point no. 1.
4	Bidding documents for contracts awarded by IECCL	x	-
5	Detailed party-wise cost/expenses incurred to execute the project	x	Refer the reply mentioned in point no. 1.
6	Work completion certificates / Physical Progress reports	x	-
7	Project wise trial balance	✓	-
8	Vendor wise trial balance / Ledger of the vendors	x	Refer the reply mentioned in point no. 1
9	Year on year cash flow statements of the project	x	Refer the reply mentioned in point no. 1.
10	Details of claims raised to the clients	x	-

- *“KNC Project was a cost plus fixed margin project for IECCL. All the cost in the project was booked with the consent of ITNL and IECCL was paid fixed margin of 6% on the cost incurred.”*
- *“As regards the email referred, it pertains to 2015 when Mukund Sapre had no connection with IECCL. It is an internal mail exchange of ITNL.”*

GT Comments on the responses by representatives of IECCL:

- While GT noted the responses of representatives of IECCL in relation to GTs observations on data limitations; however, GT requests representatives of IECCL to kindly refer GTs comments for ‘limitations with regards to data shared’ (ref: Heading 1 of this report) to avoid reiteration of data limitation in our report. Further, representatives of IECCL have not commented on the observations stated in the Report.
- The responses provided by the representative of IECCL provides clarification on recording the cost for KNC Project. However, our anomaly highlighted that the excess recording of expenditure on the KNC Project based on email evidence which was not addressed by the representatives of IECCL.

GT assessment post responses provided by the representatives of IECCL:

- Based on our findings and response received from the representatives of IECCL, our assessment remains unchanged.

6.7.2.3 Pune-Solapur Road Project

Background:

#	Particulars (as on 31 March 2018)	Details/ Amounts (INR in crs)
1	Name of the client	ITNL
2	Project Start Date	21 November 2011
3	Project (Estimated) Completion Date	31 March 2017
4	Project Cost	906.01
5	Actual Cost as on 31 March 2018	906.07
6	Contract Price	947.80
7	Revenue Recognised	947.80
8	UBR (Forming part of Revenue)	0.00
9	Claims Recognised (Forming part of Revenue)	0.00
10	Status of the project as on 31 March 2019	Completed
11	Write-off as on 31 March 2019	0.00

Data Provided:

#	Particulars	Data Status
1	Budgets at the time of bidding the contract	x
2	Contract or Agreement between IECCL and Clients	✓
3	AS-7 workings for revenue recognised in the books of accounts	x
4	Bidding documents for contracts awarded by IECCL	x
5	Detailed party-wise cost/expenses incurred to execute the project	x
6	Work completion certificates / Physical Progress reports	x
7	Project trial balance	✓
8	Vendor trial balance / Ledger of the vendors	x
9	Year on year cash flow statements of the project	x
10	Details of claims raised to the clients	x

Potential Anomalies Identified:

Instances of potential bogus (fake/dummy) purchases transactions undertaken by IECCL

- During our review, it was observed that M/s Poddar Enterprises and M/s Jagdamba Traders were steel vendors for Pune-Solapur Road Project.
- Further, we identified an email dated 29 December 2010, which was sent by Rajesh Sunkaraveera (IECCL) to Naresh Penumetcha (IECCL) with regard to the purchase of steel from M/s Poddar Enterprises and M/s Jagdamba Traders wherein it was mentioned that Inward Receipts Notes ('IRN') were generated against the PO amounting to INR 1.64 crs, however, actual material (i.e. steel) was not received at the site.
- Further, it was mentioned in the above email that supporting documentation such as tax invoices, delivery challans of the supplier, weighbridge slip, and transporter's consignment note were also fabricated.

- We had identified another email dated 29 December 2010, which was sent by Naresh Penumetcha (IECCL) to Vimal Kaushik (IECCL), Sandeep Garg (IECCL), and Subbaraju Kallepali, wherein it was stated that the steel purchased from M/s. Poddar Enterprises and M/s. Jagdamba Traders for the Pune Sholapur Road Project appeared to be fake. It was also stated that Sandeep Garg (IECCL) had given his approval for the said purchases to provide for certain future payments.

Potential anomalies pertaining to subcontractors:

- **Dreamax Infra Developers Private Limited:** During our review, we identified an email dated 18 October 2012, which was sent by Gautam Sadasvia (President at IECCL) to MD Khattar (IECCL), wherein it was noted that IECCL had awarded a contract to Dreamax Infra Developers Private Limited for executing roadwork at “4Laning Of Pune-Solapur Section Of Nh-9 From Km 144+400 To Km 249+000” based on a recommendation from ITNL.
- Further, it was also mentioned in the email that Dreamax Infra Developers Private Limited lacked experience in roadworks pertaining to NHAI.
- Also, it was mentioned in the email that ITNL paid INR 2.40 crs to Dreamax Infra Developers Private Limited in the form of mobilization advance without receiving any performance bank guarantee.
- Further, Dreamax Infra Developers Private Limited had expressed its unwillingness to execute the contract vide its letter dated 15 June 2012, and the said contract was subsequently awarded to M/s. Roadway Solutions based on the recommendation of ITNL.
- Thus, it appears that M/s. Dreamax Infra Developers Private Limited was provided contract as well as advances without having adequate skills and collaterals.

- **GHV and other subcontractors:** During our review, we identified an email dated 23 October 2013 sent by Naresh Penumetcha (IECCL) to MD Khattar (IECCL), wherein it was noted that ITNL had directly made payments of INR 106 crs to subcontractors of IECCL viz. GHV India Private Limited, PSK Infra, and Roadway Solutions India Infra Limited and the said payments were not recommended by IECCL. The payments made to the said subcontractors were recorded in the books of IECCL as advances. Further, the statutory auditors of IECCL had raised concerns that the total advance provided to the said subcontractors has exceeded the contract value.
- Thus, it appears that payments were made to subcontractors over and above the contract value.
- We identified another email dated 22 August 2017 sent by Vinay Sood (IECCL) to Asvin Jagirdar (Statutory Auditor) wherein Vinay Sood (IECCL) had replied that GHV is an existing vendor of ITNL and was selected on an emergency basis to avoid the threat of termination of the contract.
- Thus, it appears that no bidding process was carried out at the time of selection of the subcontractor.

Responses provided by the representatives of IECCL:

“No Comments”

6.7.2.4 Nagaland Project

Background:

#	Particulars (as on 31 March 2018)	Details/ Amounts (INR in crs)
1	Name of the client	Maytas-Gayatri - JV
2	Project Start Date	01 December 2010
3	Project (Estimated) Completion Date	30 November 2015
4	Project Cost	555.90
5	Actual Cost as on 31 March 2018	561.85
6	Contract Price	711.38
7	Revenue Recognised	711.38
8	UBR (Forming part of Revenue)	455.61
9	Claims Recognised (Forming part of Revenue)	12.10
10	Status of the project as on 31 March 2019	Terminated
11	Write-off as on 31 March 2019	193.84

Data Provided:

#	Particulars	Data Status
1	Budgets at the time of bidding the contract	x
2	Contract or Agreement between IECCL and Clients	✓
3	AS-7 workings for revenue recognised in the books of accounts	x
4	Bidding documents for contracts awarded by IECCL	x
5	Detailed party-wise cost/expenses incurred to execute the project	x
6	Work completion certificates / Physical Progress reports	x
7	Project trial balance	✓
8	Vendor trial balance / Ledger of the vendors	x
9	Year on year cash flow statements of the project	x
10	Details of claims raised to the clients	x

Potential anomalies identified:

Instances that indicated anomalies in construction activities or progress on the project:

- Review of UBR Workings: Based on the review of UBR workings provided by the representatives of IECCL, it was noted that the progress on the Nagaland Project was stagnant at ~50% from the FY 2013-14 to FY 2015-16.
- Review of email correspondences: During our review, we had identified an email dated 18 September 2012, which was sent by MD Khattar (IECCL) to K Ramchand (IECCL) and Arun Saha (IL&FS Limited), where a news article was shared which highlighted potential anomalies in the Nagaland Project. It was mentioned in the said news article that as on the date of the article, i.e. 17 September 2012, there was no progress on the Nagaland Project and that not a single kilometer was constructed by the contractor (i.e. M/s. Maytas-Gayatri JV – a joint venture between IECCL and Gayatri Group).

- **Reports issued by CAG:** Based on public domain searches, we had identified a report issued by the Comptroller and Auditor General of India ('CAG') on Social, Economic, Revenue, and General Sectors for the year ended 31 March 2015, where it was noted that between the period December 2010 to March 2015, there was no progress on Nagaland Project, i.e. not a single kilometer of the road was completed even after incurring an expenditure of INR 602.34 crs by M/s. Maytas-Gayatri JV.

Arbitration Award:

- Thus, it appears that between February 2011 to March 2015, IECCL had presented the Nagaland project progress at 50%. However, the report issued by CAG available on the public domain; there was no progress on the Nagaland project until 31 March 2015.

Summary:

- Thus, based on the details mentioned above, it appears that:
 - As on 31 March 2015, IECCL had incurred a cost of INR 432.06 crs and recorded unbilled revenue of INR 295.60 crs and certified revenue of INR 247.66 crs. However, there was no progress on the said project as per the public domain searches and as per a report issued by CAG.

Responses provided by the representatives of IECCL:

#	Particulars	Data Status	IECCL Reply
1	Budgets at the time of bidding the contract	x	GT has not commented on status of data provided by IECCL and hence it was considered as received by GT.
2	Contract or Agreement between IECCL and Clients	✓	-
3	AS-7 workings for revenue recognised in the books of accounts	x	Refer the reply mentioned in point no. 1.
4	Bidding documents for contracts awarded by IECCL	x	Since it is a B2B project subcontractor agreement was provided.
5	Detailed party-wise cost/expenses incurred to execute the project	x	Refer the reply mentioned in point no. 1.
6	Work completion certificates / Physical Progress reports	x	-
7	Project wise trial balance	✓	-
8	Vendor wise trial balance / Ledger of the vendors	x	Refer the reply mentioned in point no. 1
9	Year on year cash flow statements of the project	x	Refer the reply mentioned in point no. 1.
10	Details of claims raised to the clients	x	Provided to GT claim working, claim submitted, legal opinion and arbitration award.

- "In Nagaland project, IECCL invoked arbitration and an award has been received in favor of the Company. The award was primarily based on RITES report, which provided detailed workings on the

Physical work done at the site. RITES was appointed by the Client to assess the said work. It is surprising to note that GT's observation is that no work was done in Nagaland project, however, Government appointed consultants, which is a PSU itself has clearly stated that work has been done at the site. Also, receipt of Arbitration award very clearly demonstrates that work has been done at site. RITES report enclosed in Annexure - 5."

GT Comments on the responses provided by the representatives of IECCL

- While GT noted the responses of representatives of IECCL in relation to GTs observations on data limitations; however, GT requests representatives of IECCL to kindly refer GTs comments for 'limitations with regards to data shared' (ref: Heading 1 of this report) to avoid reiteration of data limitation point in our report.
- M/s Maytas Gayatri Joint Venture (wherein IECCL was part of the Joint Venture) was awarded an arbitration award of INR 703.38 crs for works done in relation to the Nagaland project on 10 August 2019, depicting that there was progress in relation to the project. However, it is unusual that as per the CAG report concerning the period ended 31 March 2015 depicted that no work was performed by IECCL in relation to Nagaland Project, whereas the RITES report issued during 2016 indicated that there was considerable work was done in relation to the cited project. We consider the fact that post-2019, an arbitration award was also given for the Nagaland project on 10 August 2019.
- GT's observation (in relation to Nagaland) project was basis CAG report findings upto 31 March 2015. Further, our observation in relation to Nagaland project was that the then KMPs of IECCL during the period 2015 were potentially aware about the issues in the project and the same was highlighted in the report of CAG.

GT assessment post responses provided by the representatives of IECCL:

- Thus, for the purpose of our assessment, we consider that work has been executed on the Nagaland Project based on the arbitration award as well as the RITES report; however, it appears unusual that the CAG report suggested insignificant work till the period ended 31 March 2015. Additionally, we would like to highlight that the RITES report as well as the arbitration award was post-2016.

6.7.2.5 Birpur-Bihpur Road Project

Background:

#	Particulars (as on 31 March 2018)	Details/ Amounts (INR in crs)
1	Name of the client	MoRTH
2	Project Start Date	29 July 2016
3	Project (Estimated) Completion Date	31 October 2020
4	Project Cost	574.37
5	Actual Cost as on 31 March 2018	63.52
6	Contract Price	676.62
7	Revenue Recognised	74.83
8	UBR (Forming part of Revenue)	29.24
9	Claims Recognised (Forming part of Revenue)	0.00
10	Status of the project as on 31 March 2019	Active
11	Write-off as on 31 March 2019	0.00

Data Provided:

#	Particulars	Data Status
1	Budgets at the time of bidding the contract	x
2	Contract or Agreement between IECCL and Clients	✓
3	AS-7 workings for revenue recognised in the books of accounts	x
4	Bidding documents for contracts awarded by IECCL	x
5	Detailed party-wise cost/expenses incurred to execute the project	x
6	Work completion certificates / Physical Progress reports	x
7	Project trial balance	✓
8	Vendor trial balance / Ledger of the vendors	x
9	Year on year cash flow statements of the project	x
10	Details of claims raised to the clients	x

Potential anomalies identified:

Potential anomalies in the transaction with Vinati Infratech Private Limited

- IECCL had awarded contracts of INR 7.11 crs to a company named Vinati Infratech Private Limited ('VIPL'), which is not in existence as per MCA records or was removed from the register of companies by MCA.
- It was noted that IECCL had requested quotations for the Birpur-Bihpur road project from three contractors.
- During the review of the bidding process for the contract amounting to INR 0.98 crs, it was observed that vendors apart from VIPL participating in the bidding process were potentially under common ownership/management.
- Further, it was noted that the IECCL had awarded the said contract of INR 0.98 crs to VIPL.
- Thus, it appears that no adequate due diligence was performed in the bidding process involved in awarding contracts to VIPL.

Potential indicators highlighting lapses in internal controls on the project:

- **Review of email correspondences:** During our review, we identified an email dated 30 October 2017, sent by Sambu Mukherjee (IECCL) to Naresh Penumetcha (IECCL), wherein Sambhu Mukherjee had forwarded a draft internal audit report of the Birpur project for discussion.
 - **Contents of the report**
 - ✓ **Potential Anomalies in Budget**
 - As per the existing standard operating procedures of the company, every project should have a control budget and initial approved budget, the initial budget should be approved within 30 days of the date of the contract, and the project control budget should be approved within 90 days of the date of the contract. It was noted by the Internal Auditors that the initial approved budget, including the project control budget, was not available for the project.
 - On comparison of the draft audit report with the report as identified during our email review, we noted that the above-mentioned point was not there in the report shared with us by the representatives of IECCL.
 - ✓ **Potential Anomalies in Payments**
 - Company had made an advance payment of royalty amounting to INR 0.22 crs, however, the said advance had not been adjusted in books, and then management had taken note of the same.

Responses provided by the representatives of IECCL:

#	Particulars	Data Status	IECCL Reply
1	Budgets at the time of bidding the contract	x	Project budget has been uploaded in the VDR.
2	Contract or Agreement between IECCL and Clients	✓	-
3	AS-7 workings for revenue recognised in the books of accounts	x	Refer the reply mentioned in point no. 1.
4	Bidding documents for contracts awarded by IECCL	x	-
5	Detailed party-wise cost/expenses incurred to execute the project	x	Refer the reply mentioned in point no. 1.
6	Work completion certificates / Physical Progress reports	x	Work completion certificate is not applicable since the project is active.
7	Project wise trial balance	✓	-
8	Vendor wise trial balance / Ledger of the vendors	x	Refer the reply mentioned in point no. 1
9	Year on year cash flow statements of the project	x	Refer the reply mentioned in point no. 1.
10	Details of claims raised to the clients	x	

- *For Birpur Project, the initial Budget and Control Budget were same and there was no change from the Budget which was used for Bidding. The Bidding Budget is an approved budget and the sector can use the same as initial budget if no change is made.*

GT Comments on the responses by representatives of IECCL:

- While GT noted the responses of representatives of IECCL in relation to GTs observations on data limitations; however, GT requests representatives of IECCL to kindly refer GTs comments for 'limitations with regards to data shared' (ref: Heading 1 of this report) to avoid reiteration of data limitation in our report.
- While the representatives of the IECCL provided a response in relation to the budgets; however, no response/clarity was provided in relation to potential anomalies in payments noted in the email review, indicating internal control lapses, wherein the company had made an advance payment of royalty amounting to INR 0.22 crs, without making the appropriate entries/adjustments in the books of account.

GT assessment post responses provided by the representatives of IECCL:

- Based on the response received on our findings and since no further explanation/additional documents have been provided by the representatives of IECCL, our assessment stated earlier remains unchanged.

6.7.2.6 DLF Road Project

Background:

#	Particulars (as on 31 March 2018)	Details/ Amounts (INR in crs)
1	Name of the client	DLF Ltd.
2	Project Start Date	23 May 2012
3	Project (Estimated) Completion Date	30 June 2022
4	Project Cost	404.51
5	Actual Cost as on 31 March 2018	399.86
6	Contract Price	421.65
7	Revenue Recognised	416.80
8	UBR (Forming part of Revenue)	.00
9	Claims Recognised (Forming part of Revenue)	40.28
10	Status of the project as on 31 March 2019	Completed
11	Write-off as on 31 March 2019	0.00

Data Provided:

#	Particulars	Data Status
1	Budgets at the time of bidding the contract	x
2	Contract or Agreement between IECCL and Clients	✓
3	AS-7 workings for revenue recognised in the books of accounts	x
4	Bidding documents for contracts awarded by IECCL	x
5	Detailed party-wise cost/expenses incurred to execute the project	x
6	Work completion certificates / Physical Progress reports	x
7	Project trial balance	✓
8	Vendor trial balance / Ledger of the vendors	x
9	Year on year cash flow statements of the project	x
10	Details of claims raised to the clients	x

Potential anomalies identified:

Potential anomalies Identified through email reviews

- During our review, we identified an email dated 27 April 2016, which was sent by Nagaraju Vegesna (Manager – Finance & Accounts of IECCL) to Lalit Kumar Makkar (Associate Vice President – Project Management of IECCL), where it was mentioned that as on 31 March 2016, there was an unexplained unbilled revenue of INR 39.19 crs against the total unbilled revenue of INR 58.17 crs.
- In another email dated 16 August 2016, which was sent by Venkateshwara Rao (Executive Vice President – Road Division of IECCL) to Lalit Kumar Makkar (Associate Vice President – Project Management of IECCL), it was mentioned that unbilled revenue of INR 55.00 crs was recognized towards the DLF project in the books of accounts before completion of the activities.

Responses provided by the representatives of IECCL:

#	Particulars	Data Status	IECCL Reply
1	Budgets at the time of bidding the contract	x	GT has mentioned in their status of data provided sheet that, the budget of said project was provided
2	Contract or Agreement between IECCL and Clients	✓	GT has mentioned in their status of data provided sheet that, the budget of said project was provided
3	AS-7 workings for revenue recognised in the books of accounts	x	Refer the reply mentioned in point no. 1.
4	Bidding documents for contracts awarded by IECCL	x	-
5	Detailed party-wise cost/expenses incurred to execute the project	x	Refer the reply mentioned in point no. 1.
6	Work completion certificates / Physical Progress reports	x	-
7	Project wise trial balance	✓	-
8	Vendor wise trial balance / Ledger of the vendors	x	Refer the reply mentioned in point no. 1
9	Year on year cash flow statements of the project	x	Refer the reply mentioned in point no. 1.
10	Details of claims raised to the clients	x	Claim workings and claim submitted details have been uploaded on 20-08-2020.

- “Client has certified unexplained UBR 39.19 Cr has to settle under claim of Rs 40.28 Cr in final bills on June 2017. Entire amount was released. It was certified in final bill.”
- “It was settled for Rs. 40 cr in final bill.”

GT Comments on the responses by representatives of IECCL:

- While GT noted the responses of representatives of IECCL in relation to GTs observations on data limitations; however, GT requests representatives of IECCL to kindly refer GTs comments for ‘limitations with regards to data shared’ (ref: Heading 1 of this report) to avoid reiteration of data limitation in our report.
- Further, while representatives of IECCL stated that the entire amount was settled for INR 40 crs in the final bill; however, no documentary evidence or confirmation of such settlement was provided for review by GT.

GT assessment post responses provided by the representatives of IECCL:

- Based on the response received on our findings, no further documents have been provided by the representatives of IECCL. Thus, our assessment stated earlier remains unchanged.

6.7.2.7 Kolkata Metro Rail

Background:

#	Particulars (as on 31 March 2018)	Details / Amounts (INR in crs)
1	Name of the client	Rail Vikas Nigam Ltd.
2	Project Start Date	05 March 2014
3	Project (Estimated) Completion Date	31 October 2019
4	Project Cost	331.05
5	Actual Cost as on 31 March 2018	176.26
6	Contract Price	358.76
7	Revenue Recognised	191.01
8	UBR (Forming part of Revenue)	56.67
9	Claims Recognised (Forming part of Revenue)	20.00
10	Status of the project as on 31 March 2019	Terminated
11	Write-off as on 31 March 2019	62.40

Data Provided

#	Particulars	Data Status
1	Budgets at the time of bidding the contract	x
2	Contract or Agreement between IECCL and Clients	✓
3	AS-7 workings for revenue recognised in the books of accounts	x
4	Bidding documents for contracts awarded by IECCL	x
5	Detailed party-wise cost/expenses incurred to execute the project	x
6	Work completion certificates / Physical Progress reports	x
7	Project trial balance	✓
8	Vendor trial balance / Ledger of the vendors	x
9	Year on year cash flow statements of the project	✓
10	Details of claims raised to the clients	x

Potential anomalies identified:

Potential indicators highlighting slow progress on the project:

- Review of UBR Workings: It was noted that the Kolkata Metro Rail Project was started in December 2014 and was supposed to be completed by 2019.
- Based on the review of the UBR working, we noted that till 31 March 2018, the said project was completed to the extent of 53%, and the project was running into losses since its inception. Further CTC working for December 2017 also revealed that the project had incurred a loss of INR 27.40 crs.
- Public domain searches: Based on public domain searches, it was noted that in December 2018, Rail Vikas Nigam Limited had terminated the contract awarded to IECCL due to the slow progress of the project.

Identified whistleblower complaints

- During our review, we had identified an email dated 30 May 2016, which was sent from email ID kmrailp@yahoo.com to MD Khattar (IECCL), highlighting operational issues in the KMRP projects. It was also stated in the said email that the employees at the site had potentially colluded with the sub-contractors.
- Further, the above email highlighted the following allegations:
 - An employee of IECCL had certified incorrect subcontractor's bills and acquired land from the collections made from the contractor(s).
 - Another employee had certified incorrect purchase and maintenance bills of plant and machinery. Low-quality material was purchased for the site.

Responses provided by the representatives of IECCL:

#	Particulars	Data Status	IECCL Reply
1	Budgets at the time of bidding the contract	x	GT has mentioned in their status of data provided sheet that, the budget of said project was provided
2	Contract or Agreement between IECCL and Clients	✓	GT has mentioned in their status of data provided sheet that, the budget of said project was provided
3	AS-7 workings for revenue recognised in the books of accounts	x	Refer the reply mentioned in point no. 1.
4	Bidding documents for contracts awarded by IECCL	x	-
5	Detailed party-wise cost/expenses incurred to execute the project	x	Refer the reply mentioned in point no. 1.
6	Work completion certificates / Physical Progress reports	x	Work completion certificates is not available since the Project is terminated and for Physical progress reports. GT has mentioned in their status of data provided sheet that, the physical progress report of said project was provided,
7	Project wise trial balance	✓	-
8	Vendor wise trial balance / Ledger of the vendors	x	Refer the reply mentioned in point no. 1
9	Year on year cash flow statements of the project	✓	Refer the reply mentioned in point no. 1.
10	Details of claims raised to the clients	x	Claim workings and claim submitted details have been uploaded on 20-08-2020.

- *“The CTC of the project is an estimate for the overall project cost and revenue and periodical revision in CTC do happen based on the estimates as the project progresses.”*
- *“The reason for slow progress was due to delay in handing over of site and the GFC Drawings by client, for which, since inception of the project, IECCL has done lot of correspondence with client. IECCL has filed a claim with the client.”*
- *“The Termination of Project happened due to the IL&FS crisis.”*

GT comments on provided by the representatives of IECCL:

- While GT noted the responses of representatives of IECCL in relation to GTs observations on data limitations; however, GT requests representatives of IECCL to kindly refer GTs comments for ‘limitations with regards to data shared’ (ref: Heading 1 of this report) to avoid reiteration of data limitation in our report.

GT assessment post responses provided by the representatives of IECCL:

- Based on the response received on our findings and since no further explanation/additional documents have been provided by the representatives of IECCL, our assessment stated earlier remains unchanged.

6.7.2.8 RMRG-PHASE-II

Background:

#	Particulars (as on 31 March 2018)	Details / Amounts (INR in crs)
1	Name of the client	ITNL
2	Project Start Date	05 June 2013
3	Project (Estimated) Completion Date	30 April 2017
4	Project Cost	273.77
5	Actual Cost as on 31 March 2018	273.77
6	Contract Price	289.32
7	Revenue Recognised	289.32
8	UBR (Forming part of Revenue)	26.95
9	Claims Recognised (Forming part of Revenue)	29.00
10	Status of the project as on 31 March 2019	Completed
11	Write-off as on 31 March 2019	26.95

Data Provided:

#	Particulars	Data Status
1	Budgets at the time of bidding the contract	x
2	Contract or Agreement between IECCL and Clients	✓
3	AS-7 workings for revenue recognised in the books of accounts	x
4	Bidding documents for contracts awarded by IECCL	x
5	Detailed party-wise cost/expenses incurred to execute the project	x
6	Work completion certificates / Physical Progress reports	x
7	Project trial balance	✓
8	Vendor trial balance / Ledger of the vendors	x
9	Year on year cash flow statements of the project	✓
10	Details of claims raised to the clients	x

Potential anomalies identified:

Potential indicators highlighting slow progress on the project:

- Review of email correspondences: During our review, we identified an email dated 04 July 2014, sent by Sanjiv Rai (Former Managing Director of IL&FS Rail Limited) to MD Khattar (IECCL), highlighting that the progress of the RMRG project was slow. Further, the email also highlights that IECCL was not able to manage the project activities leading to a delay in the completion of the project and thereby proposes IL&FS Rail Limited (IRL) to take the entire responsibility of the project.
- Thus, based on the above email, it can be noted that the progress of the RMRG project was slow.

Potential anomalies with regards to the preparation of Cost To Completion ('CTC'):

- Review of email correspondences: During our review, we identified an email dated 16 August 2016, sent by Suguna Mudundi (IECCL) to Arun Saha (IL&FS Limited), highlighting that as per CTC in

December 2015, the project gross margin was at 8%. However, the revised CTC as of June 2016 shows a gross margin of (1.11) %.

- Further, the email highlights the reasons for the fall of gross margin over the period of six months, which was due to an increase in cost by approx. INR 23 crs.
- Also, it was highlighted that there were no supporting documents available for the increase in cost.
- Thus, based on the above email, it appears unusual that IECCL used to revise the CTCs of the project without maintaining the supporting documents.

Responses provided by the representatives of IECCL:

#	Particulars	Data Status	IECCL Reply
1	Budgets at the time of bidding the contract	x	CTC of the said project was provided.
2	Contract or Agreement between IECCL and Clients	✓	-
3	AS-7 workings for revenue recognised in the books of accounts	x	Refer the reply mentioned in point no. 1.
4	Bidding documents for contracts awarded by IECCL	x	-
5	Detailed party-wise cost/expenses incurred to execute the project	x	Refer the reply mentioned in point no. 1.
6	Work completion certificates / Physical Progress reports	x	Work completion certificates was provided,
7	Project wise trial balance	✓	-
8	Vendor wise trial balance / Ledger of the vendors	x	Refer the reply mentioned in point no. 1
9	Year on year cash flow statements of the project	✓	Refer the reply mentioned in point no. 1.
10	Details of claims raised to the clients	x	Provided to GT claim working, claim submitted and legal opinion.

- “We are unable to comment on email correspondence. “
- “Margins do get revised over the project life cycle due to variety of reasons – revised assessments of cost to be incurred due to site conditions. Revised assessment of price / qty of materials etc. “
- “Further, for the additional cost incurred, IECCL has submitted claim to the client of Rs 29 Cr.”
- “GT has commented only based on email correspondence without verifying the CTC.”

GT Comments on the responses by representatives of IECCL:

- While GT noted the responses of representatives of IECCL in relation to GTs observations on data limitations; however, GT requests representatives of IECCL to kindly refer GTs comments for ‘limitations with regards to data shared’ (ref: Heading 1 of this report) to avoid reiteration of data limitation in our report.

- The responses provided by the representative of IECCL does not contain revised CTC for December 2015 and June 2016 for the project, and no further explanation/additional documents were provided for our review.

GT assessment post responses provided by the representatives of IECCL:

- Based on our findings and response received from the representatives of IECCL, our assessment remains unchanged.

6.7.2.9 Udayasamudram

Background:

#	Particulars (as on 31 March 2018)	Details / Amounts (INR in crs)
1	Name of the client	I & CAD Dept., AP
2	Project Start Date	1 August 2008
3	Project (Estimated) Completion Date	31 March 2021
4	Project Cost	282.68
5	Actual Cost as on 31 March 2018	101.18
6	Contract Price	331.00
7	Revenue Recognised	116.00
8	UBR (Forming part of Revenue)	2.39
9	Claims Recognised (Forming part of Revenue)	0.00
10	Status of the project as on 31 March 2019	Active
11	Write-off as on 31 March 2019	0.00

Data Provided:

#	Particulars	Data Status
1	Budgets at the time of bidding the contract	x
2	Contract or Agreement between IECCL and Clients	✓
3	AS-7 workings for revenue recognised in the books of accounts	x
4	Bidding documents for contracts awarded by IECCL	x
5	Detailed party-wise cost/expenses incurred to execute the project	x
6	Work completion certificates / Physical Progress reports	x
7	Project wise trial balance	x
8	Vendor wise trial balance / Ledger of the vendors	x
9	Year on year cash flow statements of the project	x
10	Details of claims raised to the clients	x

Potential Anomalies as identified during the review of Internal Audit Reports:

Substantial amount of advances released along with normal payment:

- As per clause 14 of the original contract agreement dated 19 December 2010 between IECCL and M/s Sunbeam Enterprises ('Sunbeam'), Sunbeam was entitled for a mobilization advance of 5% of the total contract value (i.e. INR 16.55 crs) against the submission of performance bank guarantee.
- Further, it was noted that IECCL had entered into a supplementary agreement with Sunbeam dated 13 February 2017 wherein IECCL had agreed to extend financial support of INR 2.50 crs to Sunbeam. However, it was highlighted by the internal auditor that a total of INR 10.41 crs was paid to Sunbeam instead of INR 2.50 crs as agreed in the supplementary agreement. It was also noted that the above advances were given without obtaining any security/collateral.
- On further review, it was noted that during the period from 19 December 2010 to 13 February 2017, other interest-bearing advances of INR 22.25 crs were also extended to Sunbeam without obtaining any security/collateral.
- It was noted that out of the total advances of INR 32.66 crs extended to Sunbeam, appropriate approvals were not taken in relation to advances of INR 11.06 crs.

Amendment in Clause pertaining to additional security deposit collected from Sunbeam

- As per Clause 19 of the original subcontractor agreement dated 19 December 2010 between IECCL and Sunbeam, an additional Security deposit of 5% would be collected from the payments made against RA bills issued by Sunbeam, and the same would be released after satisfactory completion of the project by Sunbeam. Further, it was noted that the said clause was amended vide supplementary agreement dated 13 February 2017 in which it was mentioned that the amount withheld from the subcontractor RA bills on account of the additional security deposit shall be adjusted towards the advances given to the subcontractor. However, no justification for such an amendment was mentioned in the supplementary agreement.
- It was further noted that the said arrangement was already in practice since August 2013, and adjustments of INR 0.49 crs were already made prior to entering into the supplementary agreement dated 13 February 2017. It was also noted that payments of INR 1.03 crs were made to Sunbeam between August 2013 and October 2013 in the nature of refund of the security deposit collected.

Anomalies in Processing of Invoices:

- Based on the review of the vendor master as per the accounting system of IECCL, it was noted that Sunbeam was appearing twice with different vendor codes (13839 and 10331). Further, it was noted that RA bill -27 dated 20 May 2014 amounting to INR 0.25 crs issued by Sunbeam was accounted twice under different vendor ledgers bearing different codes of which one of the RA Bill was adjusted with advances extended, and the other was adjusted with debit notes.
- Below table provides the details of the same RA Bills as accounted in the different vendor ledgers of Sunbeam:

Particulars	Vendor Code 13839	Vendor Code 10331
Invoice Number	RAB-27	RAB-27
Invoice Date	20 May 2014	20 May 2014
Invoice Amount	25,96,807	25,96,807
Adjustment with	Advances	Debit Notes

- It was further noted that another invoice (IEINIR101-US1) amounting to INR 14.02 crs was posted in the ledger account of Sunbeam against the work order number 4103. However, the internal auditor was not able to trace the invoice as well as payment details of the same.

Relaxation provided to subcontractor under the terms of RA bill payment

- As per clause 25 of the original subcontractor agreement dated 19 December 2010 between IECCL and Sunbeam, it was noted that payment to the subcontractor shall be released within 10 days of receipt of payment from the project authority in relation to the same in RA bills. It was noted that the

said clause was amended vide supplementary agreement dated 13 February 2017, and the payment cycle was reduced from 10 days to 7 days.

- Further, based on the review of another supplementary agreement dated 9 November 2017, it was noted that payments terms were again amended and revised terms stated that payment in relation to work executed by a subcontractor shall be paid every month to the extent of 75% of the corresponding amount certified by project authority within 15 days and after the recommendation of IECCL project manager.

Other Potential Anomalies:

- As per clause 16 of the original contract agreement dated 19 December 2010 between IECCL and Sunbeam, it was noted that Sunbeam would pay a markup of 14.6% on the contract price, and the said markup would be deducted uniformly on the gross bill amount submitted by Sunbeam. It was noted that the above-mentioned clause was amended vide supplementary agreement dated 09 November 2017, and the markup was reduced from 14.6% to 3.5% resulting in a loss of INR 0.70 crs to IECCL during the period 09 November 2017 to 05 November 2020. Further, no justification for the said amendment was mentioned in the supplementary agreement.
- Further, we noted that IECCL had filed a case against Sunbeam to EOW on 5 November 2020, in response to which EOW has furnished notice to IECCL requesting documents related to the case. The documents are yet to be submitted by IECCL.

Summary:

- Thus, based on the review of Internal Audit Reports, it appears that:
 - There was potential favoritism towards Sunbeam as IECCL had provided considerable relaxation to Sunbeam with regard to the payment terms and conditions. Further, substantial advances were released to Sunbeam without obtaining any security or collateral.
 - There were lapses in the internal control of IECCL with respect to onboarding and payment to being made to the vendors.

Responses provided by the representatives of IECCL:

#	Particulars	Data Status	IECCL Reply
1	Budgets at the time of bidding the contract	x	B2B contract with Fixed Margin, hence not applicable.
2	Contract or Agreement between IECCL and Clients	✓	It is Provided
3	AS-7 workings for revenue recognised in the books of accounts	x	We wish to highlight that UBR workings for all the financial year under the review period has been provided. In fact, the data in the UBR pertaining to AS-

			<i>7 workings was discussed and explained to GT team a number of times.</i>
4	<i>Bidding documents for contracts awarded by IECCL</i>	<i>x</i>	<i>This is B2B Project, Client Agreement Conditions are Applicable to Subcontractor, no separate documents issued. Client Bidding documents provided in FTP</i>
5	<i>Detailed party-wise cost/expenses incurred to execute the project</i>	<i>x</i>	<i>Since it is B2B project, YOY trail balance was provided in which cost available.</i>
6	<i>Work completion certificates / Physical Progress reports</i>	<i>x</i>	-
7	<i>Project wise trial balance</i>	<i>x</i>	<i>YOY project trail balance is part of financial which was provided to GT.</i>
8	<i>Vendor wise trial balance / Ledger of the vendors</i>	<i>x</i>	-
9	<i>Year on year cash flow statements of the project</i>	<i>x</i>	<i>This is B2B Project, Not Applicable</i>
10	<i>Details of claims raised to the clients</i>	<i>x</i>	<i>Has been uploaded in ftp now</i>

- *Approvals of MD & others are there. However, Internal Audit team never shared with Irrigation sector and directly submitted to the Board. Replies and all the documents submitted to EOW also. One hearing of EOW also held. No lapse found so far.*
- *As per Supplementary agreement dated 13th Feb'17 was signed by CEO S. Ramachandran, which specified, "The amounts withheld from subcontractor RA bills so far by way of Additional Security Deposit and amounts from future RA bills of subcontractor shall be adjusted towards advances given to subcontractor for purpose of calculation of interest."*
- *There is no mollified intension in creating 2 vendor codes as mentioned in the report. Both vendor codes are correct and one was for site 13839 and the other 10331 was for HO. However site accountant mistakenly credited RA Bill 27 in vendor code 13839 but at HO regularly RA BILL 27 passed in vendor code 10331. After 4 days this was identified and this entry was reversed with debit note within a week ie in 2014 itself. There are no two RA BILLS and no two entries. Till 01-Apr-12 there was no oracle system/entry in IECCL. However cumulative payment upto 01-Apr-12 for M/s Sunbeam was Rs 14.02 . As the system used from 2012, for the purpose of continuing oracle system entries, this was entered by IT department. This is only for oracle entries. There is no singly bill/ single payment of Rs 14.02cr.*
- *Relaxation in payment term was given to keep the project going on in spite of losses and to complete the project at the earliest. However we have never used the relaxation in payment terms clause while giving payment to M/s Sunbeam. we have paid only after getting payment from the client and paid after 10 days of bill received from client.*
- *All the documents pertaining to these anomalies provided to EOW also. There was no favoritism to any vendor. In the interest of the progress of work only.*

- *There are proper approvals prior to the payments made to the vendors. All the documents provided to EOW also.*

GT Comments on the responses by representatives of IECCL:

- While GT noted the responses of representatives of IECCL in relation to GTs observations on data limitations; however, GT requests representatives of IECCL to kindly refer GTs comments for 'limitations with regards to data shared' (ref: Heading 1 of this report) to avoid reiteration of data limitation in our report.
- GT's observation was on the premise of various anomalies concerning potential indications of favoritism by IECCL towards Sunbeam and potential lapses in the internal control process of IECCL in relation to the Udayasamudram project. Further, it is important to note that the case has been referred to EOW and the same is under process.

6.8 Potential anomalies in the operational activities of IECCL

6.8.1 Potential anomalies pertaining to the compliance mechanism followed by IECCL

6.8.1.1 Potential anomalies with regards to payment of Goods and Service Tax to the regulatory authorities

Background:

- Based on the review of the books of accounts of IECCL, it was noted that as on 31 March 2019, IECCL had outstanding liabilities of INR 99.40 crs towards payment of GST dues to the regulatory authorities. Based on the email dated 28 November 2019, the representative of the IECCL had provided the details pertaining to Goods and Service Tax ('GST'). The below table provides year-wise details of the outstanding GST liabilities of IECCL:

#	FY	Amount (INR in crs)
1	2017-18	16.33
2	2018-19	83.07
	Total	99.40

Potential anomalies identified:

Non-deposit of GST amount with regulatory authorities

- As per the provisions of section 132(1) of the Central Goods and Service Tax Act, 2017, the GST amount collected by an entity should be deposited with the regulatory authority within a period of three months from the date of collection of said GST.
- Based on the details mentioned above, it potentially appears that the GST amount collected from the customers/client was not deposited with the regulatory authorities and was outstanding in the books of accounts of IECCL as on 31 March 2019.
- During our review, we had identified an email dated 11 July 2018, which was sent by Naveen Kumar Agarwal (Chief Financial Officer of IECCL) to Mukund Sapre (IECCL) where he had highlighted a news article pertaining to the arrest of a managing director of a company for not depositing the GST amount with the regulatory authorities.

Preference given to supplier payments over the GST payments

- During our review, we had identified an email dated 11 July 2018, which was sent by Pavas Agarwal (Senior Vice President of IECCL) to Saibal Mukherjee (Assistant General Manager of IECCL), where there were discussions pertaining to pending payments of GST and TDS to the regulatory authorities. It was noted that Pavas Agarwal (IECCL) had instructed Saibal Mukherjee (IECCL) to allocate the funds of INR 3.54 crs towards the supplier payments, but no allocation was done towards the pending GST payments.

- Also, we had identified an email dated 06 August 2018, which was sent by Saibal Mukherjee (IECCL) to Pavas Agarwal wherein IECCL had received a sum of INR 8.23 crs from “Jharkhand” out of which certain funds were to be allocated towards GST payments. Further, Pavas Agarwal had sought approval from Mukund Sapre to allocate funds towards the supplier payments, which was later approved by Mukund Sapre. Thus, it appears unusual that in spite of being aware of the pending statutory dues, Pavas Agarwal had not sought any approval for payment of the same.

List of representatives of IECCL who had approved the said transactions:

- The below-mentioned table has been prepared based on the response provided by the present management with regard to the individual who is the approver for allocating the funds.

#	Approver of the transaction
1	Mukund Sapre

Responses provided by the representatives of IECCL:

- “The funds allocation was being done by the erstwhile MD directly. The allocation towards project and statutory liabilities was done as per his directions.”*

GT assessment post responses provided by the representatives of IECCL:

- Based on our findings and response received from the representatives of IECCL, our assessment remains unchanged.

6.8.1.2 Potential non-compliance with statutory regulations

Background:

- IECCL is a company listed on the Bombay Stock Exchange ('BSE') and National Stock Exchange of India ('NSE') and is subjected to various regulations laid down by the Securities Exchange Board of India ('SEBI').

Potential anomalies identified:

Potential non-compliance of SEBI Regulations

- As per Regulation 17(2) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, it was noted that quarterly details pertaining to the foreign exchange exposure were required to be placed before the Board of Directors ('BoD') of a listed company. IECCL being a listed company, is required to place the above details pertaining to foreign exchange exposure before its BoD.
- Based on a review of the minutes of meetings of the BoD for the period FY 2015-16 to FY 2017-18, it appears that quarterly foreign exposures were not disclosed to the BoD of IECCL. The below table provides details of the unhedged foreign exposures of IECCL for the above-mentioned period (INR in crs):

#	Particulars	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
1	Unhedged assets	82.65	44.82	11.01	11.13
2	Unhedged liabilities	77.15	30.42	0.16	3.6
	Total unhedged foreign exposures	159.80	75.24	11.17	14.73

- Thus, based on the details mentioned above, it appears that there was a potential non-compliance of the SEBI (LODR) Regulations as prescribed by SEBI.

List of representatives of IECCL who had approved and executed the said transactions:

"Not Applicable"

Responses provided by the representatives of IECCL:

- "As per Regulation 17(7) - SBI-LODR-Schedule – II – Part A: Corp. Governance, there are items which are required to be reported to Audit Committee & Board quarterly. However, Regulation 17(7)(N) says: Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material".*
- "IECCL, has very limited foreign exchange transactions that amounts to less than 1% to 2% of the turnover of the quarter/annual. Since the foreign exchange exposure/transactions are relatively low and having no significant / material impact on the company, hence IECCL has not been reporting the matter to the Board on quarterly basis. However, the same was reported to the Board annually. "*

GT comments on responses provided by the representatives of IECCL:

- Board Minutes and other supporting documents for the above response by the representatives of IECCL was not provided for our review.

GT assessment post responses provided by the representatives of IECCL:

- Based on our findings and response received from the representatives of IECCL, our assessment remains unchanged.

6.8.2 Potential stress and other issues which appear to be known to the then KMPs of IECCL

Background:

- Based on the review of the financial statements of IECCL and analysis of the key financial indicators, the below table summarizes the financial position of the IECCL for the period 01 April 2011 to 31 March 2018: (INR in crs):

#	Particulars	FY 2011-12 ²¹	FY 2013-14 ²²	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Balance Sheet Items (consolidated)							
1	Share Capital	339.65	339.65	249.12	213.81	170.87	131.12
	a. Equity Share Capital	89.79	89.79	112.12	121.16	131.12	131.12
	b. Preference Share Capital	249.86	249.86	137	92.75	39.75	-
2	Reserves and Surplus	64.40	(76.87)	19.69	(239.52)	(214.77)	(270.25)
3	Net-worth	404.05	262.78	268.81	(25.61)	(43.90)	(139.13)
4	Borrowings	1,393.79	1,750.32	1,987.69	2,073.29	2,122.54	2,643.39
5	Other liabilities	1,343.04	1,940.86	2,080.10	1,947.52	2,231.72	2,802.03
6	Assets	240.73	201.25	187.33	206.02	183.93	183.26
7	Investments	251.89	284.17	284.17	284.17	284.17	318.91
8	Cash/Bank	99.37	69.67	40.10	21.66	23.99	28.48
Profit and Loss Statements Items (consolidated)							
9	Revenue from operation	2,204.44	3,991.10	2,782.72	2,131.54	1,906.40	1,868.76
10	Cost of materials consumed	595.32	979.99	815.18	1,006.00	548.27	540.72
11	Employee Benefit	224.36	415.24	319.09	140.82	105.49	146.60
13	Profit before tax	(156.65)	(135.58)	(22.16)	(435.30)	(49.11)	(20.55)
14	Profit after tax	(147.01)	(145.05)	(10.90)	(325.75)	(25.96)	11.54

Potential anomalies identified:

- During our analysis of the consolidated financial statements of IECCL, we noted the following:
 - The net worth of the IECCL had decreased from INR 404.05 crs to INR (139.13) crs during the period September 2012 to March 2018.
 - The debt-equity ratio of the Company was 3.45 in 2011-12 and since the net worth became negative in 2015-16, the debt-equity ratio of the company was (80.96) in 2015-16 and (19) in 2017-18.

²¹ The financial statements were prepared for 18 months from 01 April 2011 to 30 September 2012.

²² The financial statements were prepared for 18 months ending on 31 March 2014.

- During our review, we identified the following set of email communications that indicated stress/liquidity issues in IECCL:

#	Particulars	
1	Date: 21 December 2011	From: Maharudra Wagle (Chief Operating Officer of IL&FS Limited) To: Abhijit Ghosal
	<u>Contents of the email</u> The email indicated that IECCL was continuously facing liquidity issues. The liquidity issues were on account of slow recoveries of bills certified and an increase in borrowings and interest payments.	
2	Date: 11 September 2012	From: Sambhu Mukherjee (IECCL) To: Vasudev Rao (IECCL)
	<u>Contents of the email</u> The email indicated that IECCL was requesting a credit facility of INR 75.00 crs from IL&FS Limited as it was facing a severe liquidity crisis.	
3	Date: 11 January 2013	From: Arun Saha (IL&FS Limited) To: Ravi Parthasarathy (IL&FS Limited) and K Ramchand (IECCL)
	<u>Contents of the email</u> The contents of the email indicated that IECCL had sold one out of three land parcels to Maytas Properties Limited ('MPL') for a consideration of INR 13.80 crs. It was further mentioned that the said sale transaction was undertaken to record additional revenue in FY 2011-12 ²³ .	
4	Date: 11 January 2013	From: MD Khattar (IECCL) To: Hari Sankaran (IECCL)
	<u>Contents of the email</u> The email indicated that IECCL was facing a liquidity crunch and was unable to meet the set targets. It was further mentioned, the IECCL was unable to make salary and statutory due payments. Further, it was also not in a position to procure materials without adequate credit facilities.	
5	Date: 14 January 2013	From: MD Khattar (IECCL) To: Hari Sankaran (IECCL), K Ramchand (IECCL), Ramesh Bawa (Former Managing Director and Chief Executive Officer at IL&FS Financial Services Limited)

²³ The financial statements were prepared for 18 months from 01 April 2011 to 30 September 2012.

#	Particulars	
	<p><u>Contents of the email</u></p> <p>The email indicated that IECCL was facing a severe liquidity crunch which had hampered its day to day operations and also created issues in supplier payments.</p>	
6	Date: 20 January 2014	From: Sambhu Mukherjee (IECCL) To: Sabina Bhavani (IL&FS Limited)
	<p><u>Contents of the email</u></p> <p>The email indicated that an analysis of the cash flow of IECCL was carried out. Further, Arun Saha (IL&FS Limited) had enquired about the failure to meet the previous targets and revision in the project costs as the same had led to unreasonable gross margins. Further, Sambhu Mukherjee (IECCL) had stated that the target for gross margins for Q4 of FY 2013-14 could be achieved only if there was no revision in project cost and a loss of INR 100.00 crs relating to project losses could be deferred.</p> <p>Thus, it appears that there was no potential revision in the project costs to achieve the desired gross margins and avoid reflecting stress in the company.</p>	
7	Date: 29 March 2015	From: Arun Saha (IL&FS Limited) To: K Ramchand (IECCL)
	<p><u>Contents of the email</u></p> <ol style="list-style-type: none"> 1. The contents of the email indicated that the loss estimated by the management of IECCL for the quarter ended 31 March 2015 is of INR 50 crs. However, upon review of the audited financial statements for the quarter ended 31 March 2015 as submitted by the IECCL with the Bombay Stock Exchange ('BSE') shows the net profit of INR 0.85 crs. 2. Further, in the said email, Arun Saha (IL&FS Limited) recommends accounting of the claims of the project Assam 17 of more than INR 100 crs even before the same could be crystallized to improve the profitability position of IECCL. However, there could be <i>apprehensions on the audit qualification</i> upon the accounting of such claims as discussed between Arun Saha (IL&FS Limited) and Ved Jain, along with the key personnel of EY. 3. Further, Arun Saha (IL&FS Limited) suggested the alternative approach to improve the profitability of the IECCL, which is as follows: <ul style="list-style-type: none"> ○ Transfer of land to Maytas Investment Trust and record the profit of INR 18 crs. ○ Raise the claim upon ANC (the contractor for the project GIFT2 who had sub-contracted work to IECCL) of INR 15 crs. ○ Other multiple adjustments in the books of accounts to the extent of INR 20 crs. 4. Thus, it appears that the management of IECCL were potentially inclined to record the claims before they could be materialized or record certain transactions in order to achieve the desired gross margins and thereby, avoid reflecting stress in the company. 	

#	Particulars	
8	Date: 30 January 2018	From: Mukund Sapre (IECCL) To: K Ramchand (IECCL), Hari Sankaran (IECCL).
	<u>Contents of the email</u>	
	The contents of the email indicated that the financial positions of IECCL were adverse, and it needed funds. Further, in the trail mail, Mukund Sapre (IECCL) had stated to Arun Saha (IL&FS Limited) that IECCL could not survive without the support of IL&FS Limited and IFIN.	

Summary:

- Thus, based on the financial analysis and emails identified during our review, it appears that IECCL was under financial stress and liquidity issues since FY 2011-12.

List of representatives of IECCL who had approved and executed the said transactions:

“Not Applicable”

Responses provided by the representatives of IECCL:

- *“Since it is a CDR company, everyone, including investors, erstwhile management, Lenders and the general public, were aware of stress in Maytas (now IECCL). The main reason for stress in IECCL was due to interest on Group Loans/Lenders, which was inherited by IECCL from Maytas during take-over, which was mostly funding non-productive assets.*
- *Twice, IECCL tried to raise equity, so that leverage goes down; however, it could not materialize due to non-receipt of relevant approvals from statutory authorities.”*

GT assessment post responses provided by the representatives of IECCL:

- Based on our findings and response received from the representatives of IECCL, our assessment remains unchanged.

6.8.3 Potential anomalies with regard to lapse in internal controls

- During our review, we identified multiple emails which were highlighting issues in the internal controls of IECCL. The below table provides details of the same:

#	Particulars	
1	Date: 20 December 2013	From: Naresh Penumetcha (Chief Internal Auditor of IECCL) To: Sambhu Mukherjee (IECCL), Pradeep Kulshrestha (IECCL) and Manoj Gera (Former Vice President of IECCL)
	<p><u>Area:</u> Bidding Process</p> <p><u>Contents of the email:</u></p> <ol style="list-style-type: none"> The email states that the Board of Directors, along with the Audit Committee and CEO, had decided that the CFO shall be one of the reviewers of all the bidding documents, and the same was brought into immediate effect. It was mentioned in the email that the review of the CFO for all the bidding related documents was not taking place, and the same was considered as non-compliance with the circular which was issued earlier at the direction of the IL&FS Group Management Board. <p>Thus, it appears that there were potential lapses in following the protocols or the process laid down by the company with regards to the approval hierarchy.</p> <p><u>Responses provided by the representatives of IECCL:</u> "Process has been streamlined post Internal Audit observation in 2013. Evidence for the same has been shared with GT on 06-Feb-2021 at their request."</p>	
2	Date: 08 May 2017	From: L Padam Jain (Assistant Manager Assurance at S R Batliboi & Associates LLP) To: Krishnaprasad Rayi
	<p><u>Contents of the email:</u></p> <ol style="list-style-type: none"> Concerns raised by the statutory auditor for various projects of IECCL. As pointed out by statutory auditor, It was noted that IECCL had multiple issues, including non-recording of bills of sub-contractors, dues of suppliers, unbilled revenue billing, etc. in the books of accounts for FY 2016-17 <p>Thus, it appears that potential concerns related to various projects were raised by statutory auditors</p>	

#	Particulars	
	<p><u>Responses provided by the representatives of IECCL:</u> “KNC Project was a cost plus fixed margin project for IECCL. All the cost in the project was booked with the consent of ITNL and IECCL was paid fixed margin of 6% on the cost incurred.”</p> <p><u>GT comments on responses provided by the representatives of IECCL:</u> The responses provided by the representative of IECCL provides clarification on recording the cost for KNC Project. However, our anomaly highlighted that the concerns raised by the statutory auditor with regard to KNC Project cost, which was not addressed by the representatives of IECCL.</p>	
3	Date: 05 September 2014	From: Naresh Penumetcha (IECCL) To: Saibal Mukherjee (IECCL), Kishore Josyula (IECCL), Jitendra Singh (Employee of IECCL)
	<p><u>Area:</u> Inventory</p> <p><u>Contents of the email:</u></p> <ol style="list-style-type: none"> 1. There was a potential difference in inventory appearing in the books of accounts and the inventory module amounting to INR 5.64 crs. 2. There was a negative inventory of INR 0.52 crs under the power sector head in the books of accounts. 3. Missing Inventory Receipt Notes (IRN) due to non-availability of purchase orders to the extent of INR 0.92 crs. <p>Thus, it appears that there were potential issues with respect to inventories, as stated above.</p> <p><u>Responses provided by the representatives of IECCL:</u></p> <ol style="list-style-type: none"> 1. “The difference is mainly due the value of the transformers that have been rejected by the client and stored at Central work shop at Hyderabad. The issue is Sub–Judice. Keeping in view the nature of transaction and its age, this value was written off in the books of accounts. As the transformers are physically available in Inventory and matter is subjudice, no entry has been passed in inventory module. Hence, there is difference between the two. Annexure has been sent to GT on 06-Feb-2021.” 2. “If all the six Project codes of Chindwara Project are considered the inventory is Zero. IECCL Internal Audit did not consider all the project codes of Chindwara package, “ 3. “In this case, it seems that due to operational emergency materials were procured with email approvals and POs were raised subsequently. Post this necessary steps were taken to regularize the purchase. With reference to the Audit observation, Post internal audit observation it seems that IRNs have been raised for all these receipts. Annexure has been sent to GT team on 9-02-2021 at their request.” 	

#	Particulars	
4	Date 18 May 2016	From: Sambu Mukherjee (IECCL) To: Anup Gupta (Senior Vice President of IECCL)
	<p><u>Area</u> – Receivable and Payables</p> <p><u>Contents of the email:</u></p> <p>1. The email states that on verification of debtors confirmations, it was found that EMMAR MGF (project authority) had made direct payment of INR 2.21 crs to a creditor of IECCL without the knowledge of the accounts team. Further, it was also stated that this instance is a major control failure, and the team is not in a position to reconcile receivables and payables.</p> <p><u>Responses provided by the representatives of IECCL:</u> “Since IECCL has no control over direct payments made by the client to vendors, hence it is not a control gap at IECCL level.”</p>	
5	Date: 01 October 2016	From: Ajay Chitnis (Former Head of P&M at IECCL) To: Mukund Sapre (IECCL)
	<p><u>Contents of the email:</u></p> <p>1. The email stated that Ajay Chitnis (IECCL) had raised concerns over the purchase of poor quality equipment by IECCL from Simplex Infrastructures Limited for the BMRCL project, which was not safe to use. Further, it was also mentioned that the same was also approved by Sitaraman Ramachandran (IECCL).</p> <p>2. Thus, it appears that IECCL had purchased poor quality equipment at the project site leading to safety concerns.</p> <p><u>Responses provided by the representatives of IECCL:</u> “Reply has been enclosed in Annexure – 3.”</p>	

GT comments and assessment post responses provided by the representatives of IECCL:

- Based on our findings and response received from the representatives of IECCL, our assessment remains unchanged.
- Further, as the above-cited observations are based on a digital evidence review, hence the details pertaining to approver and executors of the transaction are not available for these observations.

6.9 Others potential anomalies

6.9.1 Potential anomalies in the appointment of statutory auditors of IECCL

Background:

- Based on the review of the audit reports for the period 01 October 2012 till 31 March 2018, it was noted that the statutory auditors of IECCL were as follows:

#	Name of statutory auditors	FY 2013-14 ²⁴	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
1	M/s. S.R. Batliboi & Associates LLP, Chartered Accountants	✓	✓	✓	✓	x
2	M/s. B S R & Associates LLP, Chartered Accountants and M/s. M. Bhaskara Rao & Co., Chartered Accountants	x	x	x	x	✓

- It can be noted from the above table that M/s. S.R. Batliboi & Associates LLP, Chartered Accountants ('SR Batliboi') were the statutory auditors of IECCL for the period FY 2013-14 to FY 2016-17. Further, during the FY 2017-18, M/s. B S R & Associates LLP, Chartered Accountants ('BSR') and M/s. M. Bhaskara Rao & Co., Chartered Accountants were appointed as joint statutory auditors of IECCL.

Potential anomalies identified:

- Personnel executing the statutory audit remained unchanged even after the appointment of another audit firm as a statutory auditor.
- During our review, we had identified an email dated 05 January 2017, which was sent by Sambhu Mukherjee (IECCL) to Arun Saha (IL&FS Limited) and Mukund Sapre (IECCL), where it was highlighted that Amit Agarwal was joining KPMG from E&Y and the same would be beneficial for transition management owing to the key audit issues of IECCL.
- Upon further review, we had identified another email dated 13 March 2017, which was sent by Arun Saha (IL&FS Limited) to Ravi Parthasarathy (IL&FS Limited), Ram Walase, Hari Sankaran (IECCL), and Mukund Sapre (IECCL), where Arun Saha (IL&FS Limited) proposed to appoint BSR (an affiliate of KPMG) as statutory auditors along with M/s. M. Bhaskara Rao & Co., Chartered Accountants as joint statutory auditors of IECCL. It was proposed to appoint BSR since SR Batliboi had completed its term as statutory auditors with IECCL and the key personnel who were handling the statutory audit at SR Batliboi had joined BSR.
- It was also mentioned in the said email regarding the discussions to be held with the senior management of BSR to ensure the continuity of ongoing issues in IECCL.

²⁴ The financial statements were prepared for 18 months from 01 October 2012 to 31 March 2014.

- The below tables provide details of key personnel executing the statutory audit of IECCL:

#	SR Batliboi			BSR		
	Name of personnel handling statutory audit	Designation	Period ²⁵	Name of personnel handling statutory audit	Designation	Period ²⁶
1	Amit Kumar Agarwal	Associate Director	March 2004 to October 2016	Amit Kumar Agarwal	Signing Partner	November 2016 to November 2018
2	Dinesh Nahata	Manager	October 2013 to December 2016	Dinesh Nahata	Manager	January 2017 to present

- Based on the above tables, it appears that the key personnel (Amit Agarwal and Dinesh Nahata) who were handling the statutory audit of IECCL at SR Batliboi during Q3 of FY 2016-17 had joined BSR, and thus, BSR was appointed as one of the joint auditors of IECCL from FY 2017-18.

Responses provided by the representatives of IECCL:

- “The Present management being unaware of the basis of email discussions about the appointment of the statutory auditors in FY – 18, cannot comment on the same”*

GT assessment post responses provided by the representatives of IECCL:

- Based on our findings and response received from the representatives of IECCL, our assessment remains unchanged.

²⁵ Based on public domain searches.

²⁶ Based on public domain searches.

7. Limitations and disclaimers

- The Report dated 06 May 2021 ('Report') issued is to be read in totality, and not in parts, and in conjunction with the relevant sections referred to in this document.
- While Grant Thornton Bharat LLP ('Grant Thornton' or 'Firm' or 'us' or 'our' or 'we') has taken reasonable steps to corroborate the information obtained and to ensure completeness and reliability of sources and information provided, we cannot guarantee that the Report is complete or that all the information contained therein is reliable. For these reasons, the Report should not form the sole basis for any decision as to a potential course of action. If a potential course of action is contemplated, it is advisable that an independent assessment be made by the Board of Directors of IECCL, including based upon the information contained in the Report, and with such supplementary inquiries as the Board may deem appropriate or desirable.
- The scope of our services does not constitute an audit conducted in accordance with generally accepted auditing standards, or an examination of internal controls/procedures or other attestation or review services or services to perform agreed-upon procedures in accordance with standards established by the Institute of Chartered Accountants of India.
- Our services do not involve the expression of an opinion or any other form of assurance.
- No representation or warranty, whether express or implied, is given by us with respect to our review or scope of work. Where this Report is provided to someone not allowed as per the Engagement Letter ('EL'), we accept no liability (including negligence) to anyone in connection with it.
- Our work does not make any representation regarding questions of legal interpretation and cannot render legal advice. The Client should consult with its attorneys concerning any legal matters or items that require legal interpretation including local and international laws, rules, or regulations.
- Our services and our Report are not intended to be, and shall not be construed to be, investment advice or legal, tax or accounting advice.
- All the amounts stated in the Report are reported in Indian Rupees ('INR') and for simplicity, purposes are represented in crores ('crs') unless stated otherwise.
- The Report issued by us is in accordance with the EL dated 28 January 2019, which is strictly confidential and for use by the Audit Committee of IL&FS Group ('AC' or 'Client') for the purpose specified in the EL. The Report and other deliverables may not be used, reproduced, or circulated for any other purpose, whether in whole or in part, other than mentioned in the EL.
- Our observations stated in the Report are limited to the documents/information provided to us for our review by the key representatives of IL&FS Engineering & Construction Company Limited ('IECCL' or 'Company'). We have prepared this Report based on the work procedures performed on limited data/information available and provided by the representatives of IECCL during the period 13 June 2019 to 10 April 2021.

- We have relied on the information and explanations provided to us by the representatives of the IECCL and we have not independently verified the same. Hence, our ability to perform all the procedures depended on the nature and quality of the information as well as explanations provided to us by the representatives of IECCL.
- The scope of the Report is limited to areas mentioned in the section 'Introduction'.
- The observations stated in the Report are pertaining to the samples selected by us for testing based on the criticality and materiality of the transactions.
- Our procedures did not involve obtaining explanations/clarifications from the erstwhile management of Infrastructure Leasing & Finance Services ('IL&FS') Limited and third parties. Further, work procedures are limited to our understanding and related interpretations. Additionally, our scope of work did not include a review of third parties. To that extent, we reserve the right to amend our findings, if further information becomes available. We request the regulatory authorities to obtain further clarifications from the erstwhile management, and third parties, as required.
- We are not privy to the details of discussions between the representatives of IL&FS Group and third parties; hence our findings are based on interpreting the contents identified in the electronic communications of the relevant personnel.
- All the public domain searches conducted in the databases and search engines on the name of the individuals and entities have been performed to the best of our efforts.
- In India, information about individuals/entities is not captured and stored in an organized manner or a centralized database. The information is collated from third parties/various secondary information sources available in the public domain. Accordingly, the factual accuracy of such information cannot be guaranteed. We have referred to the information available on the public domain as on the date of the research and have presented information accordingly. It is to be noted that some of these databases are not updated regularly.
- Although the information may have been gathered from online public record information, which is generally accepted to be accurate, we cannot guarantee its integrity; nor can we monitor the speed with which these public record sources update their records. In undertaking the public record research and information gathering on this Engagement, we have identified information currently available. We may not have identified information previously filed on but subsequently removed from the public record prior to this date, nor will we have identified information subsequently filed on those data sources after this period in which our work has been completed. In undertaking the public domain searches and information gathering, efforts were made to identify information currently available.
- During our review, we have noted that the then Key Managerial Personnel ('KMPs') of IECCL were using external email domain IDs including personal email IDs, for official communication. We have not been provided with any data/information pertaining to personal email IDs. The identified email IDs external to the IL&FS Group domain are as mentioned below:

#	Name of Individual	Designation	Personal Email ID
1	Arun Saha	Former Joint Managing Director and Chief Executive Officer at IL&FS Limited	arunsaha@hotmail.com
2	G Venkateswar Reddy	Former Company Secretary at IECCL	reddy6767@yahoo.co.in
3	Karunakaran Ramchand	Former Chairman at IECCL	karunakaran.ramchand@gmail.com
4	Manoj Kumar Singh	Former Chief Executive Officer at IECCL	manojksingh30@hotmail.com
5	Manoj Gera	Former Vice President at IECCL	mgera0409@gmail.com
6	Murli Dhar Khattar	Former Managing Director at IECCL	khattarmd@yahoo.com
7	Mohammad Azharuddin	Former Vice President at IECCL	azharuddin.mohammad@gmail.com
8	Mukund Sapre	Former Managing Director at IECCL	mukundsapre@hotmail.com, mukund.sapre8@gmail.com
9	Pavas Agarwal	Former Senior Vice President at IECCL	pavasag@gmail.com
10	Pradeep Kumar Kulshrestha	Former Chief Technical Officer at IECCL	sushdeep16@gmail.com
11	Rajeev Khanna	Former Vice President at IECCL	1964.rajeev@gmail.com
12	Sitaraman Ramachandran	Former Chief Executive Officer at IECCL	1953ramu@gmail.com
13	Sambhu Mukherjee	Former Chief Financial Officer at IECCL	sambhu.mukherjee@gmail.com
14	Hari Sankaran	Former Vice Chairman and Managing Director of IL&FS Limited	harisankaran2011@gmail.com; harisankaran16@gmail.com; harisankaran1961@gmail.com
15	Ravi Parthasarathy	Former Chairman of IL&FS Limited	ravi.parthasarathy@gmail.com

8. Glossary

Sr. no	Acronym	Description
1	'Grant Thornton' or 'GT' or 'Firm' or 'us' or 'our' or 'we'	Grant Thornton Bharat LLP
2	'Review Period' or 'review period'	01 April 2013 to 30 September 2018
3	AC or 'Client'	Audit Committee of IL&FS Group
4	ACEL	Amravati Chikhli Expressway Project
5	ADIA	Abu Dhabi Investment Authority
6	AIPL	Arss Infrastructure Project Limited
7	AP TRANSCO	The Transmission Corporation of Andhra Pradesh
8	AS	Accounting Standard
9	BETL	Bangalore Elevated Tollway Limited
10	BG	Bank Guarantee
11	BCC	Beigh Construction Company Private Limited
12	BICL	Brindavan Infrastructure Company Limited
13	BOD	Board of Directors
14	BOQ	Bill of Quantities
15	BSE	Bombay Stock Exchange
16	BSR	B S R & Associates LLP, Chartered Accountants
17	CBI	Central Bank of India
18	CEL	Cyberabad Expressways Limited
19	CFS	Consolidated Financial Statement
20	CGM	Chief General Manager
21	CLB	Company Law Board
22	CMRL	Chennai Metro Rail Limited (project)
23	Cont'd	Continued
24	CPC	Construction Products Company
25	Crs	Crores
26	CTC	Cost to Company
27	Deloitte Jeddah	Deloitte & Touche Bakr Abulkhair & Co, Certified Public Accountants
28	DFCC	Dedicated Freight Corridor Corporation
29	Report	Final Report
30	EBITDA	Earnings before Interest, Tax, Depreciation and Amortization
31	EL	Engagement Letter
32	EoM	Emphasis of Matter
33	EPC	Engineering, Procurement, and Construction
34	ETPL	Engorithm Tech Private Limited:
35	EY	Ernst & Young
36	FY	Financial Year
37	GGPL	GVK Gautami Power Limited
38	GHV	GHV (India) Private Limited
39	GST	Goods and Services Tax
40	HCPL	Hill County Properties Limited
41	HDFC	Housing Development Finance Corporation
42	HO	Head Office
43	HEL	Hyderabad Expressways Limited
44	ICD	Inter Corporate Deposits
45	IECCL	IL&FS Engineering and Construction Company Limited
46	IFIN	IL&FS Financial Services Limited

Sr. no	Acronym	Description
47	IFRS	International Financial Reporting Standard
48	IGAAP	Indian Generally Accepted Accounting Principles
49	IL&FS	Infrastructure Leasing & Financial Services
50	IMICL	IL&FS Maritime Infrastructure Company Limited
51	IND AS	Indian Accounting Standards
52	INR	Indian Rupees
53	IOT	IOT Infrastructure & Energy Services Limited
54	IPTF	IL&FS Prime Terminal FZC
55	IRN	Issue Receipt Notes
56	IRR	Internal Rate of Return
57	ISSL	IL&FS Securities Services Limited
58	ITNL	IL&FS Transportation Networks Limited
59	JKIPL	J Kumar Infra Projects Limited
60	KMP	Key Managerial Personnel
61	KMR	Kolkata Metro Rail
62	KNCEL	Kiratpur Ner Chowk Expressway Limited
63	KTIL	Koa Tools India Limited
64	KYC	Know Your Customer or Know Your Client
65	Leaseback	Sale and Leaseback
66	LIC	Life Insurance Corporation of India
67	LODR	Listing Obligations and Disclosure Requirements
68	MCA	Ministry of Corporate Affairs
69	MCBA	Master Contribution Agreement
70	MISA	Maytas Infra Saudi Arabia Company Limited
71	MIT	Maytas Investment Trust
72	MPL	Maytas Properties Limited
73	NCLT	National Company Law Tribunal
74	NPA	Non Performing Asset
75	NSE	National Stock Exchange
76	ORIX	ORIX Corporation of Japan
77	OSE	Oriental Structural Engineering Private Limited
78	PAN	Permanent Account Number
79	PAT	Profit after Tax
80	PBT	Profit Before Tax
81	PDCs	Post Dated Cheques
82	PDL	Parsvnath Developers Limited
83	PO	Purchase Order
84	PSRDCL	Pune Sholapur Road Development Company Limited
85	PTC	Pass Through Certificate
86	PTTL	Pondicherry Tindivanam Tollway Limited
87	RA Bills	Running Account Bills
88	RKSCPL	Ram Kripal Singh Constructions Private Limited
89	ROC	Registrar of Companies
90	SBG	Saudi Bin Laden Group
91	SBI	State Bank of India
92	SEBI	Securities and Exchange Board of India
93	SIDBI	Small Industries Development Bank of India
94	SIEPL	Skylark Infra Engineering Private Limited
95	SPV	Special Purpose Vehicle
96	SR	Saudi Riyal
97	SR Batliboi	M/s. S.R. Batliboi & Associates LLP, Chartered Accountants

Sr. no	Acronym	Description
98	TDS	Tax Deducted at Source
99	TIN	Tax Identification Number
100	UAE	United Arab Emirates
101	UBR	Unbilled Revenue
102	UTI	Unit Trust of India
103	VAT	Value Added Tax
104	VCL	Vadraj Cement Limited
105	VIPL	Vinati Infratech Private Limited
106	WB	Whistleblower
107	WIP	Work-In-Progress

9. List of individuals noted in the email conversations

#	Name of the Individuals	Designation
1	Abhijit Ghoshal	Senior Vice President (Project Management) at IL&FS Engineering and Construction Company Limited
2	Ajay Chitnis	Former Head (Plant & Machinery) at IL&FS Engineering and Construction Company Limited
3	Amit Shah	Executive Vice President Special Assets Group of IFIN
4	Anoop Aggarwal	Sector Head (Oil & Gas) at IL&FS Engineering and Construction Company Limited
5	Anup Gupta	Senior Vice President at IL&FS Engineering and Construction Company Limited
6	Arindam Mukhopadhyay	Assistant General Manager (Planning) at IL&FS Engineering and Construction Company Limited
7	Arun Saha	Former Joint Managing Director and Chief Executive Officer of Infrastructure Leasing and Financial Services Limited
8	Ashutosh Chandwar	Senior Vice President and Regional Head (North) at IL&FS Transportation Networks Limited
9	Asvin Jagirdar	Statutory Auditor
10	Dileep Agrahara	Head of Irrigation Sector at IL&FS Engineering and Construction Company Limited
11	Dinesh Nahata	Associate Director in B S R & Associates LLP
12	Divya Chelluri	Employee of IL&FS Engineering and Construction Company Limited
13	Gautam Sadasiva	President at IL&FS Engineering and Construction Company Limited
14	Hari Sankaran	Former Director at IL&FS Engineering and Construction Company Limited
15	Jignesh Shah	Managing Director and Chief Executive Officer of IL&FS Infrastructure Asset Management Limited
16	Jitendar Singh	Employee of IL&FS Engineering and Construction Company Limited
17	Jitendra Tomer	Vice President (Information Technology) at IL&FS Engineering and Construction Company Limited
18	K R Khan	Chief Executive Officer of IL&FS Engineering and Construction Company Limited and Senior Vice President at IL&FS Transportation Networks Limited
19	K Ramchand	Former Director at IL&FS Engineering and Construction Company Limited
20	K R Khan	Chief Executive Officer of IL&FS Engineering and Construction Company Limited
21	Kishore Josyula	Senior Manager (Inventory) at IL&FS Engineering and Construction Company Limited
22	Krishna Ghag	Assistant Vice President and Company Secretary of IL&FS Transportation Networks Limited
23	Krishnaprasad Rayi	Employee of Infrastructure Leasing & Financial Services Limited
24	Lalit Kumar Makkar	Associate Vice President-Project Management at IL&FS Engineering and Construction Company Limited
25	MD Khattar	Former Managing Director of IL&FS Engineering and Construction Company Limited
26	Maharudra Wagle	Group Chief Financial Officer of Infrastructure Leasing & Financial Services Limited

27	Manoj Gera	Former Vice President at IL&FS Engineering and Construction Company Limited
28	Manoj Kumar	Employee of IL&FS Transportation Networks Limited
29	Mohammed Azharuddin	Vice President (Procurement) at IL&FS Engineering and Construction Company Limited
30	Mukund Sapre	Former Managing Director of IL&FS Engineering and Construction Company Limited
31	Nagaraj B N	Employee of IL&FS Engineering and Construction Company Limited
32	Nagaraju Vegesna	Manager-Finance and Accounts of IL&FS Engineering and Construction Company Limited
33	Naresh Penumetcha	Chief Internal Auditor at IL&FS Engineering and Construction Company Limited
34	Naveen Kumar Agrawal	Chief Financial Officer of IL&FS Engineering and Construction Company Limited
35	Padam Jain	Assistant Manager, Assurance, S.R Batliboi & Associates LLP (EY)
36	Parag Phanse	Vice President of IL&FS Transportation Networks Limited
37	Pavas Agarwal	Senior Vice President at IL&FS Engineering and Construction Company Limited
38	Pradeep Goyal	HR Head at IL&FS Engineering and Construction Company Limited
39	Pradeep Kulshrestha	Former Chief Technical Officer at IL&FS Engineering and Construction Company Limited
40	Rajeev Khanna	Vice President (Finance & Accounts) at IL&FS Engineering and Construction Company Limited
41	Rajesh Sunkaraveera	Employee of IL&FS Engineering and Construction Company Limited
42	Rajni Sharma	Employee at IL&FS Engineering and Construction Company Limited
43	Ram Walase	Managing Director and Chief Executive Officer of IL&FS Township & Urban Assets Limited
44	Sitaraman Ramachandran	Former Chief Executive Officer of IL&FS Engineering and Construction Company Limited
45	Ramesh Bawa	Former Managing Director and Chief Executive Officer of IL&FS Financial Services Limited
46	Ramesh Kumar Pahuja	Consultant (Project) at IL&FS Engineering and Construction Company Limited
47	Ravi Parthasarathy	Former Chairman of Infrastructure Leasing & Financial Services Limited
48	Ritesh Sapre	Son of Mukund Sapre
49	S C Mittal	Chief Executive at IL&FS Transportation Networks Limited
50	S Rajesh	Former General Manager- Internal Audit at IL&FS Engineering and Construction Company Limited
51	Sabina Bhavnani	Head (Project Group Finance) at IL&FS Ltd
52	Saibal Kumar Mukherjee	Assistant General Manager at IL&FS Engineering and Construction Company Limited
53	Sambhu Mukherjee	Former Chief Financial Officer of IL&FS Engineering and Construction Company Limited
54	Sandeep Garg	Former Chief Operating Officer at IL&FS Engineering and Construction Company Limited
55	Sanjiv Rai	Former Managing Director of IL&FS Rail Limited
56	Sanket Kawathekar	Assistant Manager of IL&FS Transportation Networks Limited
57	Sastry Kruppa	Employee of IL&FS Engineering and Construction Company Limited
58	Shrikant Dash	-
59	Subhash Chandra	Chief Operating Officer of IFIN

60	Suguna Mudundi	Associate Vice President at IL&FS Engineering and Construction Company Limited
61	Surjit Singh	Vice President (Roads) at IL&FS Engineering and Construction Company Limited
62	Swapan Deb	Vice President-Power Sector at IL&FS Engineering and Construction Company Limited
63	Syamala Rao Pedada	Deputy General Manager (Project Management) at IL&FS Engineering and Construction Company Limited
64	Thakurprasad Singh	Assistant General Manager (Execution) at IL&FS Engineering and Construction Company Limited
65	Umang Mohan	Vice President (Internal Audit) at IL&FS Engineering and Construction Company Limited
66	Vaibhav Saraf	Assistant Vice President in IL&FS Transportation Networks Limited
67	Venkateshwara Rao	Executive Vice President (Roads Division) at IL&FS Engineering and Construction Company Limited
68	Venkateswar Gogireddy	Company Secretary of IL&FS Engineering and Construction Company Limited
69	Vimal Kaushik	Former Managing Director and Chief Executive Officer of IL&FS Engineering and Construction Company Limited
70	Vinay Krishan Sood	Head (Finance & Accounts) at IL&FS Engineering and Construction Company Limited
71	Virendra Kumar Verma	Senior Vice President (Project Support) at IL&FS Engineering and Construction Company Limited
72	VK Tripathi	Assistant Vice President of IL&FS Transportation Networks Limited

Note: Our report contains names of multiple individuals who may have been the part of any email conversations or documentation trail. This fact alone does not implicate in itself that the individuals were aware about or party to any potential wrongdoing. Hence, not every individual named in the report is a potential wrongdoer until specifically stated in the report.

10. Annexures

#	Annexures B to observations
6.1	Potential anomalies with regards to investments
6.1.1	Potential anomalies pertaining to investments made in Maytas Investment Trust
6.1.1.1	Extract of Master Contribution agreement between Maytas Investment Trust, IL&FS Financial Services Limited and IL&FS Engineering and Construction Company Limited dated 06 March 2013
6.1.1.2	Extract of E-mail dated 21 February 2013 which was sent by Jignesh Shah to Sambhu Mukherjee
6.1.1.3	Extract of valuation certificates issued by independent valuer during the review period for SPVs of MIT
6.1.1.4	Extract of the email dated 11 August 2012 sent by Arun Saha to Ravi Parthasarathy, Hari Sankaran and Karunakaran Ramchand.
6.1.1.5	Extract of the email dated 26 May 2014, sent by Jignesh Shah to Hari Sankaran and Arun Saha.
6.1.1.6	Extract of email dated 14 November 2013, sent by Sambhu Mukherjee to Arun Saha and MD Khattar.
6.1.1.7	Extract of email dated 14 November 2013, sent by Arun Saha to K Ramchand and Hari Sankaran.
6.1.1.8	Extract of the email dated 09 July 2015, sent by Jignesh to Arun Saha.
6.1.1.9	Extract of email dated 30 June 2016 sent by Sambhu Mukherjee to Mukund Sapare and Ramchand Sitaraman.
6.1.1.10	Extract of the email dated 30 September 2013, sent by Venkateshwar Gogireddy to the then members of the Board of Directors of IECCL.
6.1.1.11	Extract of Master Contribution agreement between Maytas Investment Trust, IL&FS Financial Services Limited dated 26 September 2013.
6.1.2	Potential anomalies pertaining to investments made in Maytas Infra Saudi Arabia Company
6.1.2.1	Extract of the email dated 19 May 2015, sent by Sambhu Mukherjee to Arun Saha.
6.1.2.2	Extract of Article 180 of the Companies Law of the Kingdom of Saudi Arabia
6.1.2.3	Extract of Financial Statement of MISA
6.1.2.4	Extract of the email dated 24 October 2015, sent by Ghassan Ashkar to Sambhu Mukherjee
6.1.2.5	Extract of the email dated 20 November 2015, sent by Afsar Ahmed Sultan to Sambhu Mukherjee (1/2)
6.1.2.6	Extract of the email dated 20 November 2015, sent by Afsar Ahmed Sultan to Sambhu Mukherjee (2/2)

6.1.2.7	Extract of the email dated 9 May 2017 sent by the employees of MISA to KMPs of IL&FS.
6.1.2.8	Extract of the email dated 11 May 2017 sent by the employees of MISA to KMPs of IL&FS.
6.2	Potential anomalies in recognition of unbilled revenue
6.2.1.1	Extract of email dated 29 May 2013 sent by Sabina Bhavnani to MD Khattar and Sambhu Mukherjee
6.2.1.2	Extract of email dated 03 February 2016 sent by Suguna Mudundi to Pradeep Kulshrestha.
6.2.1.3	Extract of the email dated 02 May 2016 sent by Suguna Mudundi to Sambhu Mukherjee
6.2.1.4	Extract of the email dated 08 March 2017 sent by Suguna Mudundi to Sitaraman Ramchandran and Dileep Agrahara
6.3	Potential anomalies with respect to claims recognised in the books of accounts
6.3.1.1	Extract of Mail dated 12 August 2020 where the representative of the IECCL had provided the details of claims accounted year on year project-wise.
6.3.1.2	Extract of email dated 18 May 2018 sent by Naveen Kumar Agarwal to Sambhu Mukherjee wherein it was observed that comparison of claims not accounted.
6.3.1.3	Extract of Mail dated 03 February 2016 which was sent by Suguna Mudundi to Pradeep Kulshretha with the attached Presentation titled 'Financial Performance: Update and Analysis (December 2015)'.
6.3.1.4	Extract of email dated 08 March 2018 sent by Sambhu Mukherjee to Mukund Sapre which highlights that recognizing interest on claims is not an industry practice.
6.4	Potential anomalies noted in transactions with regard to fixed assets
6.4.1	Potential anomalies with regard to sale and leaseback transaction between IECCL and IL&FS Transportation Networks Limited ('ITNL')
6.4.1.1	Extract of email dated 09 12 2019 sent by Prasadraju Pinnamaraju to us specifying the path of data shared pertaining to sale and leaseback agreement
6.4.1.2	Extract of Master Rental Agreement dated 28 March 2017 between IECCL and ITNL.
6.4.1.3	Extract of tax invoices raised by IECCL on ITNL for sale of machinery.
6.4.1.4	Email dated 31 March 2017 conversation between Sambhu Mukherjee and Mukund Sapre highlighting leaseback transaction structuring.
6.5	Potential anomalies noted with regard to borrowing facilities
6.6	Potential anomalies with regard to purchases and sub-contractors
6.06.01	Potential anomalies in advances provided to Vadraj Cement Limited
6.6.1.1	Extract of the purchase order dated 06 April 2018 raised by IECCL in the name of Vadraj Cements Limited for the procurement of cement.
6.6.1.2	Extract documents highlighting the fund flow of the transaction.

6.6.1.3	Extract of email dated 24 August 2018, sent by Vinay Sood to Vaibhav Saraf,
6.6.1.4	Extract of email dated 06 August 2018 sent by Sambhu Mukherjee to Amit Shah and Subhash Chandra
6.6.2	Potential anomalies in transaction with Vinati Infratech Private Limited
6.6.2.1	Extract of Notification by MCA through Form STK 5 dated 05 May 2017
6.6.2.2	Extract of ledger of Vinati Infratech Private Limited for the period starting from 05 May 2017 to 30 September 2018.
6.6.2.3	Extract of the quotations submitted by the subcontractors:
6.6.2.4	Extract of email dated 19 February 2012 sent by Arun Saha to Sastry Kuppa
6.6.3	Potential anomalies noted in contract awarded by IECCL to Skylark Infra Engineering Private Limited
6.6.3.1	Subcontractor agreement between IECCL and Skylark Infra Engineering Private Limited – Ram Kripal Singh Constructions Private Limited JV
6.6.3.2	Extract of contract entered into between ITNL and IECCL on 23 November 2017, wherein the restriction with respect to percentage of work to be further subcontracted by IECCL has been removed.
6.6.3.3	Extract of email dated 22 November 2017, sent by Divya Chelluri to Manojkumar Singh, highlighting the requirement for the removal of clause with respect to further subcontracting from the contract entered into between ITNL and IECCL.
6.6.3.4	E-mail dated 26 February 2018 ,Joint Venture Dissolution between Skylark Infra Engineering Private Limited – Ram Kripal Singh Constructions Private Limited.
6.6.3.5	Extract of credit rating rationale for SIEPL highlighting that the ACEL project further subcontracted by IECCL accounted for more than 50% of its total order book. The rationale further highlighted the risks pertaining to execution of the above project.
6.6.3.6	Extract of email dated 11 August 2018, sent by VK Tripathi to SC Mittal wherein VK Tripathi has shared a letter of communication to IECCL with regard to SEIPL.
6.6.3.7	Extract of email dated 29 October 2018, sent by KR Khan to Krishna Ghag, wherein KR Khan states that he received a message from SIEPL that a cheque bounce case was registered against them and was facing a critical situation and was asking assistance from KR Khan.
6.6.3.8	Extract of email dated 02 August 2018, sent by Sanket Kawathekar to Sumesh AS and Parag Phanse, wherein a letter was attached addressed to ITNL, highlighting the defaults made in the bill discounting payment to Tata Capital and that if the payment would not be done then SIEPL would face bankruptcy and their account would be declared as non-performing by the banking institutions.
6.6.3.9	Commercial Relationship was observed between Bedrock Chem Infra LLP and Skylark Infra Engineering Limited as Invoice are raised by Bedrock Chem Infra LLP to Skylark Infra Engineering for sale o Bitumen material.
6.6.3.10	Extracts of documents wherein it was noted that BedRock Chem Infra LLP having two directors amongst them one of the director is Ritesh Mukund Sapre who is the son of Mukund Sapre.

6.6.4	Other potential anomalies
6.6.4.1	Extract of email dated 29 December 2010 sent by Rajesh Sunkaraveera to Naresh Penumetcha
6.6.4.2	Extract of tax invoice no JT/MIL/050/10-11 of Jagdamba Traders and delivery challan no MIL/050/10-11 dated 18 October 2010
6.6.4.3	Extract of IRN dated 18 October 2010 against Jagdamba Traders' invoice no JT/MIL/050/10-11
6.6.4.4	Extract of ledgers highlighting transactions with shell companies in IECCL
6.6.4.5	Extract of account analysis report for account no A579 highlighting advances given to unidentified vendors.
6.6.4.6	Extract of email dated 14 December 2019 confirmation received highlighting the said advances are unidentified.
6.6.4.7	Extract of employee master of the company.
6.6.4.8	Extract of ledger of vendor named 'MHDC'.
6.6.4.9	Extract of relieving documents of Swapam Deb and EPS forms of Swapam Deb
6.6.4.10	Extract of company records of Engorithm Tech Private Limited and ledger extracts of vendor named Engorithm Tech Private Limited.
6.6.4.11	Extract of email dated 03 July 2018 sent by Anoop Agarwal to Mukund Sapre.
6.6.4.12	Extract of employee records of Almel Ashok
6.6.4.13	Extract of TDS Certificate in the name of Almel Ashok
6.6.4.14	Extract of Vendor Master
6.6.5	Others potential anomalies related to subcontractors
6.7	Potential anomalies Identified in the projects executed by IECCL
6.07.01	Identified multiple whistleblower complaints
6.7.1.1	Extract of mail dated 22 November 2019 for clarification, where it was informed by the representatives of IECCL, that there were no whistleblower complaints received by IECCL during the Review Period.
6.7.1.2	Extract of email dated 01 December 2017 sent by Arindam Mukhopadhyay to Mukund Sapre highlighting potential issues pertaining to CMRL Project.
6.7.1.3	Extract of email dated 30 May 2016 received to MD Khattar
6.7.1.4	Extract of email dated 28 March 2012 sent by Shrikant Dash to Tarun Udwalla, CS Raju highlighting potential anomalies in Jajpur Project.
6.7.1.5	Extract of email dated 21 April 2016 sent by Rajni Sharma to MD Khattar highlighting potential issues in Patna Gaya Project
6.7.1.6	Extract of email dated 17 September 2012 received on ILFS Email ID highlighting various issues in projects.

6.7.1.7	Extract of email dated 31 December 2012 sent by Chetan Krishna to Ravi Parthasarathy, Karunakaran Ramchand, MD Khattar and Arun Saha, wherein he highlights the bribe scam being carried out in IECCL in the department of sales tax taxation.
6.7.1.8	Extract of email dated 26 April 2018 highlighting the fraudulent intentions of top level management.
6.7.1.9	Extract of email dated 19 January 2018 sent by Alak Kumar Pan to Pradeep Goyal highlighting the lapses in internal controls relating to the involvement of store people in the scam in the store, procurement and quality control department.
6.7.1.10	Extract of mail dated 02 June 2016 sent by S Rajesh to Arun Saha
6.07.02	Patna Gaya Dobhi Project
6.7.2.1	Extract of Email dated 01 December 2017, sent by Vinay Sood to Pavas Agarwal wherein Vinay Sood
6.7.2.2	Extract of email dated 14 January 2018 sent by Mukund Sapre to Karunakaran Ramchand stating no progress in Patna Gaya project.
6.7.2.3	Extract of email dated 21 April 2016 sent by Rajni Sharma to MD Khattar
6.7.3	Kiratpur Ner Chowk Road Project
6.7.3.1	Extract of email dated 19 May 2014 from Rajesh Sunkaraveera to Suguna Mudundi about certification of material relating to M/s Geobruigg and M/s. Macferri at Kiratpur site
6.7.3.2	Extract of email dated 29 June 2015 sent by Ashutosh Chandwar to Mukund Sapare wherein it was noted that sub-contractor's expenses were booked in excess than actual execution by them.
6.7.4	Pune-Solapur Road Project
6.7.4.1	Extract of email dated 29 December 2010 sent by Rajesh Sunkaraveera to Naresh Penumetcha
6.7.4.2	Extract of e-mail dated 23 October 2013 sent by Naresh Penumetcha to MD Khattar
6.7.4.3	Extract of email dated 22 August 2017 sent by Vinay Sood to Asvin Jagirdar.
6.7.5	Nagaland Project
6.7.5.1	Extract of email dated 18 September 2012 sent by MD Khattar to Ramchand Karunakaran and Arun Saha highlighting issues included in news article pertaining to Nagaland Project.
6.7.5.2	Extract of the Report of C&AG for the year ended 31 March 2015
6.07.06	DLF Road Project
6.7.6.1	Extract of email dated 27 April 2016 sent by Nagaraju Vegesna to Lalit Kumar Makkar highlighting unexplained UBR in DLF project
6.7.6.2	Extract of email dated 16 August 2016 from Venkateshwara Rao to Lalit Kumar Makkar highlighting that unbilled revenue was booked in accounts prior to completion of activities.

6.7.7	Kolkata Metro Rail
6.7.7.1	Extract of anonymous email dated 30 May 2016 received to MD Khattar highlighting issues in KMR project.
6.7.8	RMRG-PHASE-II
6.7.8.1	Extract of E-mail dated 04 July 2014, sent by Sanjiv Rai (Former Managing Director of IL&FS Rail Limited) to MD Khattar (IECCL), highlighting that the progress of the RMRG project was slow.
6.7.8.2	Extract of E-mail dated , 16 August 2016, sent by Suguna Mudundi (IECCL) to Arun Saha (IL&FS Limited), highlighting that in December 2015 CTC the project gross margin was at 8%.
6.7.8.3	Extract of E-mail dated 19 August 2016 sent by Sanjay Sharma (Employee of EMMAR MGF) to Mr. Raju Alluru (Employee of IECCL) stated that the situation is grim and there is no control over ground level staff
6.7.9	Udayasamudram
6.7.9.1	Extract of complaint dated 5 Nov 2020
6.7.9.2	Extract of internal audit report
6.7.9.3	Extract of Sub-Contracting Agreement between IECCL and Sunbeam Enterprises
6.8	Potential anomalies in the operational activities of IECCL
6.8.1	Potential anomalies pertaining to the compliance mechanism followed by IECCL
6.8.1.1	Extract of mail dated 11 July 2018 , which was sent by Naveen Kumar Agarwal (Chief Financial Officer of IECCL) to Mukund Sapre (IECCL) where he had highlighted a news article pertaining to the arrest of a managing director of a company for not depositing the GST amount with the regulatory authorities.
6.8.1.2	Extract of email dated 11 July 2018, which was sent by Pavas Agarwal (Senior Vice President of IECCL) to Saibal Mukherjee (Assistant General Manager of IECCL), where there were discussions pertaining to pending payments of GST and TDS to the regulatory authorities.
6.8.1.3	Extract of email dated 06 August 2018 sent by Saibal Mukherjee to Pavas Agarwal highlighting the potential issues pertaining to statutory dues.
6.8.2	Potential mismatch in the revenue disclosed to the regulatory authorities and the revenue recorded in the books of accounts of IECCL
6.8.2.1	Extract of the working shared by representatives of IECCL showing the comparison between the GST as per the Books of accounts and GST as per GSTR 3B.
6.8.3	Potential stress and other issues which appears to be known to the then KMPs of IECCL
6.8.3.1	Extract of email dated 21 December 2011 highlighting stress issues faced by the Company.
6.8.3.2	Extract of multiple emails dated 11 September 2012 between Sambhu Mukherjee and Vasudeva Rao highlighting liquidity and stress issues in IECCL during the FY 2012-13.

6.8.3.3	Extract of email dated 11 January 2013 sent by Arun Saha indicating sale of land to book revenue.
6.8.3.4	Extract of email dated 26 May 2014 sent by MD Khattar to Hari Sankaran
6.8.3.5	Extract of email dated 14 January 2013 sent by MD Khattar to Hari Sankaran, Ramchand Karunakaran and Ramesh Bawa highlighting liquidity and stress issues in IECCL in FY 2012-13.
6.8.3.6	Extract of Email trail identified of 20 January 2014 wherein it was noted that CTC losses were to be deferred to maintain margins.
6.8.3.7	Email dated 29 March 2015 email indicating that the loss estimated by the management of IECCL for the quarter ended 31 March 2015 is of INR 50 crs
6.8.3.8	Extract of E-mail dated 30 January 2018 exchanged between multiple parties wherein it potentially appears that IECCL had made unreasonable assumptions which lead to an adverse impact on the liquidity position of the company.
6.8.3.9	Extract of email dated 26 May 2014 sent by MD Khattar to Hari Sankaran highlighting liquidity and stress issues in IECCL in FY 2014-15.
6.8.3.10	Extract of email dated 26 June 2014 sent by Arun Saha to Hari Sankaran, Ramchand Karunakaran and Manu Kochhar wherein it was potentially appears that IECCL was facing severe cash crunch.
6.8.4	Potential anomalies with regard to lapse in internal controls
6.8.4.1	Extract of email dated 20 December 2013 sent by Naresh Penumetcha to Sambhu Mukherjee, Pradeep Kulshrestha and Manoj Gera highlighting issues in bidding process.
6.8.4.2	Extract of email dated 08 May 2017 from L Padam Jain to Krishnaprasad Rayi.
6.8.4.3	Extract of email dated 26 October 2017 sent by Naresh Penumetcha to Saibal Kumar Mukherjee, Kishore Josyula and Jitendar Singh highlighting the lapses in internal controls relating to the issues raised in internal audit over inventory function.
6.8.4.4	Extract of E-mail dated 18 May 2016 From: Sambu Mukherjee (IECCL) To: Anup Gupta (Senior Vice President of IECCL) which states that on verification of debtors confirmations, it was found that EMMAR MGF (project authority) had made direct payment of INR 2.21 crs to a creditor of IECCL without the knowledge of the accounts team.
6.8.4.5	Extract of E-mail dated 01 October 2016 From: Ajay Chitnis (Former Head of P&M at IECCL)
6.9	Potential anomalies in the appointment of statutory auditors of IECCL
6.9.1.1	Extract of email conversations dated 05 January 2017 and 13 March 2017 with regards to the rotation of auditors.
6.9.1.2	Extract of email conversations at different points of time highlighting the organization of key executives of audit team
6.9.1.3	Extract of LinkedIn and Facebook profiles of Amit Agarwal.
7	Annexures to the responses provided by the representatives of IECCL



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