

**MEDIA RELEASE**

**RELIANCE COMMERCIAL FINANCE LIMITED (RCF) INDEPENDENT FORENSIC AUDIT,  
MANDATED BY LENDERS COMPLETED**

**FORENSIC AUDIT IS PART OF THE DEBT RESOLUTION PROCESS,  
AS PER RBI GUIDELINES ON PRUDENTIAL FRAMEWORK**

**NO ADVERSE FINDINGS IN THE FORENSIC AUDIT REPORT ON ANY  
FRAUD; EMBEZZLEMENT; DIVERSION & SIPHONING OF FUNDS; OR FALSIFICATION OF  
ACCOUNTS BY ANY OF THE COMPANY OR ITS PROMOTERS, EMPLOYEES OR  
ASSOCIATES**

**THE COMPREHENSIVE SCOPE OF THE FORENSIC AUDIT INCLUDED DIVERSION &  
SIPHONING OF FUNDS, EMBEZZLEMENT, MALAFIDE OPERATIONS,  
FALSIFICATION OF ACCOUNTS, FRAUDULENT TRANSACTIONS AND DETECTION  
OF FRAUDS BY COMPANY OR ITS PROMOTERS, EMPLOYEES OR ASSOCIATES**

**RCF HAD EVEN PRIOR TO COMMENCEMENT OF THE FORENSIC AUDIT, TRANSPARENTLY  
DISCLOSED FULL DETAILS OF LENDING TO POTENTIAL INDIRECTLY LINKED ENTITIES  
TO AUDITORS, RBI, LENDERS, AND ALSO IN THE LATEST ANNUAL FINANCIAL  
STATEMENTS, DULY APPROVED BY THE SHAREHOLDERS AT THE AGM IN SEPTEMBER  
2019**

**LENDING TO POTENTIAL GROUP COMPANIES WAS ENTIRELY FOR THE END-USE OF  
DEBT SERVICING BY THE LISTED GROUP COMPANIES ONLY**

**NO ADVERSE FINDINGS IN THE FORENSIC AUDIT RELATING TO THE  
QUANTUM AND END-USE OF THE LENDING TO POTENTIAL INDIRECTLY LINKED ENTITIES**

**OBSERVATIONS IN THE FORENSIC AUDIT ARE LIMITED TO POTENTIAL REGULATORY  
ANOMALIES WHICH HAD ALREADY BEEN REPORTED TO REGULATOR – RBI, FOR WHICH  
RBI HAS ALREADY TAKEN ACTION BY REQUISITE DIRECTION**

**RCF HAS REQUESTED LENDERS TO FAST-TRACK THE DEBT RESOLUTION PLAN  
ALREADY SUBMITTED UNDER ‘CHANGE OF CONTROL AND MANAGEMENT’  
AS PER THE RBI CIRCULAR TO MAXIMISE REALISATION  
IN THE OVERALL BEST INTERESTS OF ALL LENDERS**

1. As part of the Debt Resolution process, the Company's **lenders appointed Grant Thornton in August 2019 for forensic audit, as required under RBI guidelines** on Prudential Framework for Resolution of Stressed Assets under change of control and management.
2. The forensic auditors were specifically mandated by the lenders, as part of the Terms of Reference, to report on any diversion/ siphoning of funds, any embezzlement, malafide operations, falsification of accounts, fraudulent transactions and whether any frauds by Promoter, Company, Employees or any Associates had been observed.
3. **The forensic auditors have submitted their report, and there are no adverse findings recorded on following 11 key parameters:**
  - Promoter;

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- Company;
  - Employees;
  - Associates;
  - diversion & siphoning of funds;
  - embezzlement;
  - malafide operations;
  - falsification of accounts;
  - fraudulent transactions;
  - detection of frauds.
4. The Company's auditors in the Company's Annual Report dated 14 August 2019 for financial year 18-19 (page no.23) prior to the commencement of Forensic Audit have already likewise confirmed the following:
- “During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud by the Company or any fraud on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such instance by the management.”*
5. **The forensic report has confirmed** the potential group entities exposure through several intermediate unlisted entities at Rs. 4,427.74 crore (including interest), **which the Company had voluntarily and publicly disclosed even before the commencement of forensic audit to its auditors, regulators, lenders, and also in the latest annual financial statements which were duly approved by the shareholders.**
6. In the Company's Annual Report dated 14 August 2019 for the financial year 2018-19 (page no. 98), the following disclosures have been done:
- “During the current and previous financial year, the Company has given General Purpose Corporate Loan/Working Capital Term Loan to certain bodies corporate in the ordinary course of business. None of these loans constitute as transactions with related parties. In few cases, the Company's borrowers have undertaken onward lending transactions to companies which are identified as Group Companies by Reliance Capital Limited (holding company) in terms of the Core Investment Companies (Reserve Bank) Directions, 2016. Considering the end use of loans given, the Company has considered the below loans amounting to Rs. 4,799.55 crore, as 'Exposure to group companies' for the purpose of various regulatory disclosures. These loans are secured and in few cases its further guaranteed by the Group Companies.”*
7. Prior to the commencement of the forensic audit and also as a part of the forensic audit, the Company has transparently submitted full and complete details to its auditors, regulators, lenders, and also in the latest annual financial statements which were duly approved by the shareholders, to conclusively establish that the aforesaid amount outstanding of Rs.4,427.74 crore has almost **entirely been utilised** by the potential group entities **only for making payments of principal repayment and interest** to banks, financial institutions, NBFCs, NCD holders, etc. **There is no adverse finding in this regard either, in the forensic audit report.**
8. The other findings in the forensic audit report are limited to the following issues:
- a. Alleged regulatory anomalies as regards to group exposure and b. Alleged deviation from certain policies and procedures.

**The Regulator, Reserve Bank of India (RBI), to whom all the facts have been provided before the commencement of the forensic audit,** had already taken due note of the same, and has directed the Company not to access 'public funds' and not to take any further exposure with immediate effect until further notice.

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**Since September 2018, the Company has not accessed any fresh loans or incremental borrowings other than by way of securitization. The Company is thus already observing a self-imposed restraint on accessing the public funds for more than 15 months.**

9. Based on completion of the forensic audit, the Company has now requested its bankers to proceed on a fast-track basis with the debt resolution plan under 'change of management and control' in the overall interests of all lenders.

**This media release is being issued to protect the interests of all stakeholders and address any misinformation arising out of mischievous selective leakage of the forensic audit report by vested interests in an attempt to derail the Company's debt resolution plans.**

**For media queries, please contact:**

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