



GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS
OFFICE OF THE REGIONAL DIRECTOR, WESTERN REGION
'EVEREST', 5TH FLOOR,
100, NETAJI SUBHASH MARG,
Mumbai 400 002.

No. RD (WR)/Insp/AIL/ 3487

Date : 24.04.2024

To,

Afcons Infrastructure Limited
House" 16, Shah Industrial Estate,
Veera Desai Road, Azadnagar P.O.,
Andheri (West), Mumbai-400053


Subject : Inspection u/s 206(5) of the Companies Act, 2013 of Afcons Infrastructure Limited

Sir,

I am to refer to your letter dated 23.02.2024 and to inform you that the inspection of the books of accounts and other statutory records of your company under section 206(5) of the Companies Act, 2013 will be carried out by the undersign with effect from 24.04.2024, at the registered office of your company at above address.

Further you are requested to make available the books of accounts and other statutory records for inspection and furnish such information as may be required during the course of inspection and extend your co-operation to the inspecting officer.




Ch. Jaganadh Reddy (ICLS)
Deputy Director
Inspector

Gaurang Maheshchandra Parekh - 303768

From: Cherreddy Reddy <Cherreddy.Reddy@mca.gov.in>
Sent: 14 May 2024 11:31
To: Gaurang Maheshchandra Parekh - 303768; Ramesh Kumar Jha - 303162
Subject: Inspection u/s 206(5) of the Companies Act, 2013 of Afcons Infrastructure Limited
Attachments: NOTE-1.pdf; NOTE-2.pdf



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Sir,

Please find copy of NOTE-1 & 2 as attachment on the above subject and request you to furnish your reply within 5 days hereof.

Ch.Jaganadh Reddy, ICLS
Deputy Director
Inspector

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GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS
OFFICE OF THE REGIONAL DIRECTOR, WESTERN REGION
‘EVEREST’, 5TH FLOOR, 100, NETAJI SUBHASH MARG, MUMBAI 400 002.

No. RD (WR)/Insp/AII/

Date : 14.05.2024

To,

Afcons Infrastructure Limited
House" 16, Shah Industrial Estate,
Veera Desai Road, Azadnagar P.O.,
Andheri (West), Mumbai-400053

Inspection Note-1

Subject : Inspection u/s 206(5) of the Companies Act, 2013 of Afcons Infrastructure Limited


Sir,

Please furnish the following information within 5 days hereof in hard and softcopy and email at chreddy.reddy@mea.gov.in as the Inspection of the aforesaid company has to be completed within stipulated period.

1. The company has not furnished copy of the vehicle log book maintained by the company for all vehicles for last 5 years as called for, please furnish the same.
2. The company has not furnished complete break-up of Balance Sheet and P&L Account (Party wise / head wise details i.e ledger accounts of individual party wise i.e break up Balance Sheet) which are not available in Schedules of Balance Sheets and P&L Accounts FY AY 2018-19, 2019-2020, 2020-2021, 2021-2022 and 2022-2023 as called for inspite of reminders. Please furnish the same.
3. The company has not furnished complete information pertaining to related party transactions in the format as called for. It is seen that the company has entered into related party transactions with various parties as disclosed in the "Related party disclosure for the financial year ending 31.03.2018 to 31.03.2023 for various transactions for sale, purchase and goods and services, in this regard you are requested to furnish the following information for the said transactions:
 - i. Nature of expenses reimbursed to each related party
 - ii. Nature of expenses incurred on behalf of each related party (whether reimbursed)

- iii. Particulars of the compliance with the provisions of section 188 of the Companies Act, 2013
 - iv. Nature of each service and amount paid for each such service and whether GST was collected and deposited in respect of the services.
 - v. Particulars of guarantees or collateral to enterprise
 - vi. In respect of sale of goods whether fullest realization of prices has been received from each party.
 - vii. Name of the directors/relatives/firms interested in the said transaction
 - viii. Relevant copy of resolution for taking services from the said parties
 - ix. Details of amount squared up till date along with relevant Bank Statement if any
 - x. Present Status
4. The company has not furnished Copy Investments and Loans register as called for, please furnish the same since 01.04.2017 to till date.
5. The company has not furnished relevant Bank Statement of the expenses incurred for CSR during the period 2018-2019 to 2022-2023. Please furnish the same.
6. Please furnish the following details of advances given by the company in whose names sums exceeding Rs. 25 Lakhs from time to time in tabular format since 2018-2019 to till date (Separately for each year).
- a. Date, amount, name, address and contact number of each party to whom advances were given by the company.
 - b. Copy of account of each individual year wise from whom advances were given since 2018-2019 to till date.
 - c. Copy of relevant bank statements supporting the said transactions.
 - d. Copy of agreement if any entered with the party and Rate of interest paid
 - e. Rate of interest paid to each party separately year wise.
 - f. Relevant terms and conditions of repayment.
 - g. Present status

Please note if the company does not furnish complete information as called for, necessary action will be taken under Section 206(7) of the Companies Act, 2013 without further intimation.


(Ch. Jaganadh Reddy, ICIS
Deputy Director
Inspector



GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS
OFFICE OF THE REGIONAL DIRECTOR, WESTERN REGION
'EVEREST', 5TH FLOOR, 100, NETAJI SUBHASH MARG, MUMBAI 400 002.

No. RD (WR)/Insp/AII/

Date : 14.05.2024

To,

Afcons Infrastructure Limited
House# 16, Shah Industrial Estate,
Veera Desai Road, Azadnagar P.O.,
Andheri (West), Mumbai-400053

Inspection Note- 2

Subject: Inspection u/s 206(5) of the Companies Act, 2013 of Afcons Infrastructure Limited

Sir,

Please furnish the following information within 5 days hereof in hard and softcopy and email at chreddy.reddy@mca.gov.in as the Inspection of the aforesaid company has to be completed within stipulated period.

1. Give details of the trade receivables and Trade payables in whose names sums exceeding Rs. 50 lakhs was outstanding, including the accounts squared up during the year in the following forma since 2018-2019 to till date.

Name & address of the debtor	Opening balance	Quantum of transaction during year	Payments received during year	Closing balance	Nature of services rendered / goods provided	Amount of provisions made against those debtors	Amount squared up at the end of each financial year

2. The figures for the previous year were regrouped or rearranged in the balance sheet details for each such item should be given for the financial year ending 31.03.2019, 31.03.2020, 31.03.2021 and 31.03.2022 be furnished separately.
3. It has been observed from the financial statements that the company has made donations from time to time in whose names sums exceeding Rs. 25 lakhs. In this regard the company is requested to furnish the following details: -
 - a) Name, address and contact number of the parties to whom the said amount has been given as donation.

- b) Date and amount of donations made
 - c) Purpose of giving donation.
 - d) Resolution authorizing said transaction.
 - e) Copy of relevant bank statement supporting aforesaid donations made by the company to various parties.
 - f) Name of the directors interested in making donations
4. Give details of the loans, advances and deposits given, including the accounts squared up during the year in the following format since 2018-2019 to till date.

Name of the companies including Group Company/ Subsidiary /Other companies	Date/ amount of Loan given.	% of interest charged	Terms/ condition/ agreement if any	Purpose of Loan given	Date & Amount received back & amount of interest received	Whether loss making entity

5. Please furnish the complete details of commission paid by the company from time to time Since 2018-2019 to 2020-2021 (year wise) in the following format:

S.No	Name of the person/party to whom commission paid	Address and Contact Number	Date and Total commission/ Brokerage/ Incentives paid	TDS deducted	Purpose for which commission paid

6. Please furnish in respect of security deposit in the following format since 01.04.2019 to till date.
- a. Name of the person/ individual/ company from whom security deposits received
 - b. Nature and purpose of Security deposit
 - c. Date and Amount of security deposit received
 - d. Agreement entered if any
 - e. Rate of interest paid
 - f. Date and amount of security deposit return off

Please note if the company does not furnish complete information as called for, necessary action will be taken under Section 206(7) of the Companies Act, 2013 without further intimation.


Ch. Jaganadh Reddy, ICI S
 Deputy Director
 Inspector

Gaurang Maheshchandra Parekh - 303768

From: Cherreddy Reddy <Cherreddy.Reddy@mca.gov.in>
Sent: 05 July 2024 18:18
To: Gaurang Maheshchandra Parekh - 303768; Ramesh Kumar Jha - 303162
Cc: Rd West
Subject: Inspection U/s 206(5) of the Companies Act, 2013 - In the matter of Afcons Infrastructure Limited
Attachments: letter toafcons dated 05.07.2024.pdf



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Sir,

With reference to subject noted above, it is hereby informed to you that the Ministry of Corporate Affairs has ordered inspection against the subject company U/s 206(5) of the Companies Act, 2013. During the course of Inspection, it is noticed from Notes to Accounts attached to Balance Sheet for the year ending 31.03.2019 that Chennai Metro Rail Limited/ONGC/ Konkan Railway Corporation Limited have awarded contracts to you from time to time. In this regard you are requested to offer your comments/documents to the issues raised in the letter attached herewith within 5 days hereof.

Regards,

Ch. Jaganadh Reddy, ICLS,
Deputy Director & Inspector

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Gaurang Maheshchandra Parekh - 303768

From: Cherreddy Reddy <Cherreddy.Reddy@mca.gov.in>
Sent: 15 July 2024 12:17
To: Gaurang Maheshchandra Parekh - 303768; Ramesh Kumar Jha - 303162
Subject: Inspection u/s 206(5) of the Companies Act, 2013 of Afcons Infrastructure Limited (U45200MH1976PLC019335) – Reg
Attachments: Summons to parmasivan dated 15.07.2024_0001.pdf; Summons to ramesh dated 15.07.2024_0001.pdf



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Sir,

Please find the copy of summons issued to Managing Director and CFO of the company as attachment for necessary compliance in the matter.

Regards,

Ch.Jaganadh Reddy, ICLS
Deputy Director & IO

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भारत सरकार
कारपोरेट कार्य मंत्रालय
कार्यालय- प्रादेशिक निदेशक,
पश्चिम क्षेत्र
"एवरेस्ट", 5 वीं मंजिल, 100, मरीन ड्राइव,
मुंबई- 400 002



GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS
OFFICE OF THE REGIONAL DIRECTOR,
WESTERN REGION
"EVEREST", 5TH FLOOR, 100, MARINE DRIVE,
MUMBAI- 400 002.

TEL: 22811493/22812645/22817259 (Dir), FAX: 22812389. E-Mail- rd.west@mca.gov.in

No.RD-WR/Insp/206(5)/AIL/5775

शिघ्र डाक सेवा
SPEED POST

Date:15.07.2024

**SUMMONS (UNDER SECTION 207(3) OF THE COMPANIES ACT, 2013
READ WITH SECTION 30 OF THE CODE OF CIVIL PROCEDURE, 1908- IN THE
MATTER OF AFCONS INFRASTRUCTURE LIMITED
(CIN- U45207MH1996PTC099333)**

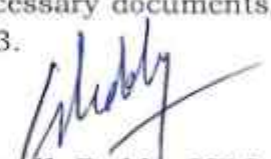
WHEREAS the Ministry of Corporate Affairs has ordered Inspection U/s 206(5) of the Companies Act, 2013 to examine the allegations/violations of provisions of Companies Act, 2013 in respect of **Afcons Infrastructure Limited**.

AND WHEREAS, the undersigned is conducting the Inspection of the books of accounts of the Company under the provisions Section 206(5) of the Companies Act, 2013.

AND WHEREAS, I consider the attendance of **Mr. Paramasivan Srinivasan**, Managing Director necessary in connection with the said Inspection.

NOW, therefore in exercise of the powers conferred upon me u/s 207 (3) of the of the Companies Act, 2013, I require the said person **Mr. Paramasivan Srinivasan** to appear before me in person at the chamber of undersigned in this office at the abovementioned address **on 16.07.2024 at 2.30 PM hrs** to give evidence/statement and produce other required documents and not to depart until you receive undersigned's permission to do so.

WITHOUT, prejudice to the provisions of any other law for the time being in force if you intentionally omit to attend and give evidence or produce necessary documents, you are liable to be prosecuted u/s 207(4) of the Companies Act, 2013.


**Ch. Jaganadh Reddy, ICLS
Deputy Director & IO**

To,

1. **Mr. Paramasivan Srinivasan,**
85, Versova Venus CHS. Ltd.,
S.V.P Nagar, Plot No.6, Near Mhada Tel Exchange,
Andheri (W) Mumbai, 400053, Maharashtra
2. **Mr. Paramasivan Srinivasan, M.D**
AFCONS HOUSE", 16, Shah Industrial Estate,
Veera Desai Road, Azad Nagar P.O.,
Andheri (West) Mumbai- 400 053

भारत सरकार
कारपोरेट कार्य मंत्रालय
कार्यालय- प्रादेशिक निदेशक,
पश्चिम क्षेत्र
"एवरेस्ट", 5 वीं मंजिल, 100, मरीन ड्राइव,
मुंबई- 400 002



GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS
OFFICE OF THE REGIONAL DIRECTOR,
WESTERN REGION
"EVEREST", 5TH FLOOR, 100, MARINE DRIVE,
MUMBAI- 400 002.

TEL: 22811493/22812645/22817259 (Dir), FAX: 22812389. E-Mail- rd.west@mca.gov.in

No.RD-WR/Insp/206(5)/AIL/5777

रिजिस्ट्रार सेवा
SPEED POST

Date:15.07.2024

SUMMONS (UNDER SECTION 207(3) OF THE COMPANIES ACT, 2013
READ WITH SECTION 30 OF THE CODE OF CIVIL PROCEDURE, 1908- IN THE
MATTER OF AFCONS INFRASTRUCTURE LIMITED
(CIN- U45207MH1996PTC099333)

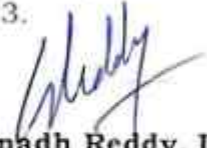
WHEREAS the Ministry of Corporate Affairs has ordered Inspection U/s 206(5) of the Companies Act, 2013 to examine the allegations/violations of provisions of Companies Act, 2013 in respect of **Afcons Infrastructure Limited**.

AND WHEREAS, the undersigned is conducting the Inspection of the books of accounts of the Company under the provisions Section 206(5) of the Companies Act, 2013.

AND WHEREAS, I consider the attendance of **Mr. Ramesh Kumar Jha, CFO** necessary in connection with the said Inspection.

NOW, therefore in exercise of the powers conferred upon me u/s 207 (3) of the of the Companies Act, 2013, I require the said person **Mr. Ramesh Kumar Jha, CFO** to appear before me in person at the chamber of undersigned in this office at the abovementioned address **on 16.07.2024 at 4.30 PM hrs** to give evidence/statement and produce other required documents and not to depart until you receive undersigned's permission to do so.

WITHOUT, prejudice to the provisions of any other law for the time being in force if you intentionally omit to attend and give evidence or produce necessary documents, you are liable to be prosecuted u/s 207(4) of the Companies Act, 2013.


Ch. Jaganadh Reddy, ICLS
Deputy Director & IO

To,

1. **Mr. Ramesh Kumar Jha, CFO,**
3704, Epsilon Tower Opposite Thakur Collage
Kandivali East, 400101, Maharashtra
2. **Mr. Ramesh Kumar Jha, CFO,**
"AFCONS HOUSE", 16, Shah Industrial Estate,
Veera Desai Road, Azad Nagar P.O.,
Andheri (West) Mumbai- 400 053

भारत सरकार
कारपोरेट कार्य मंत्रालय
कार्यालय- प्रादेशिक निदेशक,
पश्चिम क्षेत्र
"एवरेस्ट", 5 वीं मंजिल, 100, मरीन ड्राइव,
मुंबई- 400 002



सत्यमेव जयते

वि. अक. पु.वा
SPEED POST

GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS
OFFICE OF THE REGIONAL DIRECTOR,
WESTERN REGION
"EVEREST", 5TH FLOOR, 100, MARINE DRIVE,
MUMBAI- 400 002.

TEL: 22811493/22812645/22817259 (Dir), FAX: 22812389. E-Mail- rd.west@mca.gov.in

No. RD (WR)/Insp/206(5)/2023/AIL / 5902

Date:

To,

11 9 JUL 2024

Afcons Infrastructure Limited
House" 16, Shah Industrial Estate,
Veera Desai Road, Azadnagar P.O.,
Andheri (West), Mumbai-400053

Subject: Inspection u/s 206(5) of the Companies Act, 2013 of Afcons Infrastructure Limited (U45200MH1976PLC019335) – Reg-

Sir,

I am to refer to the above subject and in this connection, it is to inform that during the course of inspection of the books of accounts, records and other statutory documents carried out under section 206(5) of the Companies Act, 2013, the following non compliances/irregularities were noticed:

1. NON-COMPLIANCE OF SECTION 129 OF THE COMPANIES ACT, 2013:

- i. It is seen from the Financial Statements for the period ending 31.03.2019 that the subject company (AIL) has undertaken sub-contracting work of Rs.436.46 Crores from Transtonnelstroy Afcons JV (TTAJV) for Chennai Metro Rail Ltd (CMRL) and the total receivables due from TTAJV is Rs 888 Crores. An amount of Rs 422 Crores is pending towards subcontracting work and the balance Rs 466 Crores is pending towards advances given to TTAJV. However, it is seen that the subject company (AIL) is not the party to the arbitration/claims and

the recovery of this amount is dependent upon finalization of arbitration award and clearance/acceptance of claims by CMRL.

- ii. Further, the statutory auditors in their report has emphasised the matter at Note 39(b) of Balance Sheet for the Financial Year ending 31.03.2019 regarding delay in recovery of amount Rs.888 Crores which is disclosed under the head "*Current Asset from a customer*", which is dependent upon finalization of arbitration award in favour of the Company. In addition, the Company has also preferred two claims in respect of the same project as mentioned in the note.
- iii. However as per abstract of Significant accounting policies of Constructions contracts, the Claims and amounts in respect thereof are recognized only when negotiations have advanced to a stage, where it is probable that the customers will accept them and amounts can be reliably measured. **In the case of Arbitration Awards (the "Awards") which are granted in favor of the Company, the award amount (including interest thereon) are accounted when they are granted and where it is reasonable to expect ultimate collection of such awards.**

In view of the above the following discrepancies have been noted from the stated note No. 32, emphasis of matter paragraph in auditor's report and accounting policy on construction contracts:

- a) It was observed from Note 39 (b) that Transtonnelstroy Afcons IV (TTAJV) has total exposure of Rs. 1099 crores in Chennai Metro Rail Ltd (CMRL). Apart from this, TAJV has put Rs 1968 crores variations on CMRL which are pending at different stages. Further, the company under review Afcon Infrastructure Ltd (AIL) has undertaken sub-contracting work from TTAJV for CMRL and total receivables from TAJV is Rs 888 crores and the recovery of this amount is dependent upon finalisation of arbitration award.
- b) From the Emphasis of matter, it was noted that Rs.888 Crores has been disclosed under Current Assets from a customer. It was viewed that as per paragraph 5.5.1 of Ind AS 109, an expected credit loss (ECL) should have been

made as the recovery of amount is dependent upon arbitration outcome, hence, Note 39 (b) of Notes to Accounts attached to the Balance Sheet for the Financial Year ending 31.03.2019 is not correct in this regard.

It was viewed that due to non-making expected credit loss (ECL) with respect to receivables, the recovery of which is dependent upon arbitration proceedings, **hence, the profit for the year and assets of the company are overstated in its financial statements for the period ending 2018-2019 to 2022-2023 which are not showing true & fair view of affairs of the company and it is clear that the company has not prepared proper accounts for the period ending 2018-2019 to 2022-2023 which do not reflect true and fair view of affairs casting a doubt on the reliability of the amount from the said parties. Hence, the company has not complied the provisions of Section 128 r/w 129 of the Companies Act, 2013 for which the company and officers in default are liable for penal action.**

2. **NON-COMPLIANCE OF SECTION 129 OF THE COMPANIES ACT, 2013 r/w IND AS 109 & IND AS 28:**

- a) From the Emphasis of Matter as given by the auditor of TTAJV, it was noted that certain variations and **claims has been recognized** by it as amount due from customers under construction contracts, the outcome of which is dependent upon negotiations/ arbitration and dispute adjudication proceedings. It was further noted from the accounting policy on construction contracts as stated in the subject company (AIL) financial statements, that in case of arbitration awards, claims and variations **are recognized only when they are granted in favour of the company** and it is reasonable to expect ultimate collection of such awards.
- b) **However, in case of arbitration, the accounting treatment adopted by the company for recognizing claims and variation is against the accounting policy.** While the accounting policy on construction contracts states that in case of arbitration awards, claims and variations are recognized only when they are

granted in favour of the company, however, the company has recognised the claims of Rs 888 crores the recovery of which is dependent upon arbitration proceedings & outcome.

Accordingly, it was viewed that the accounting treatment adopted by TTAJV is not in line with the accounting policy of the company under review (AIL). Hence, the requirement of paragraph 36 A of Ind AS 28, Investments in Associates and Joint Ventures has not been complied by TTAJV as per requirements of Section 129 of the Companies Act, 2013 r/w IND AS 109 and IND AS 28 for which the company and officers in default are liable for action.

3. NON-COMPLIANCE OF SECTION 129 OF THE COMPANIES ACT, 2013 r/w IND AS-1 & IND AS -115:

- a) Further, it is observed at abstract of Note 42 read with Note 2.3 related to accounting policy on construction contracts as given on page no. 77 and 42-43 of the Annual Report for the Financial Year ending 2018-2019 stating that "*Konkan Railway Corporation Limited (KRCL) had issued a contract for Construction of Arch Steel Bridge across river Chenab on 24th August, 2004. The DBN (Design Basis Note) submitted by KRCL during the tender stage was revised in 2005 and subsequently in 2006 and 2010. The project got delayed due to various reasons such as changes in design parameters, wind load during service condition, arch span, finalization of slope stabilization etc*"
- b) Due to the above, the Company has raised two variations amounting to **Rs. 1,448 Crores** which are towards additional expenses on account of extended stay, categorization of excavation works, compensation due to loss of productivity, expenses incurred due to change in alignment, pend period cost etc. These variation costs have already been charged off to profit and loss account in past. Apart from this, negotiations are in progress with KRCL for variations towards increase in steel quantity due to change in design. The value involved is around Rs 115 crores including escalation. **Against these variations and increase in steel quantity, the total unbilled receivable amounting to Rs. 309.72 crores is outstanding as at March 31, 2019.** Based on the opinion from

independent expert and the facts of the case, the management is confident of getting a favorable judgement and recover all the dues related to this project.

Whereas as per Abstract of Significant accounting policies of Construction contracts says that, Claims and amounts in respect thereof are recognized only when negotiations have advanced to a stage where it is probable that the customers) will accept them and amounts can be reliably measured. In the case of Arbitration Awards (the "Awards") which are granted in favour of the Company, the award amount (including interest thereon), are accounted when they are granted and where it is reasonable to expect ultimate collection of such awards. (Emphasis supplied)

However, it may be noted that paragraph 18 of Ind AS 1: Presentation of Financial Statements provides that **"An entity cannot rectify inappropriate accounting policies either by disclosure of the accounting policies used or by notes or explanatory material"**

It may further be noted that paragraph 9 of Ind AS 115: Revenue from Contracts with Customers provides that **" An entity shall account for a contract with a customer that is within the scope of this Standard only when all of the following criteria are met"**

"it is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due. The amount of consideration to which the entity will be entitled may be less than the price stated in the contract if the consideration is variable because the entity may offer the customer a price concession".

In view of the above, it was noted from the stated accounting policy that in case of arbitration awards, claims and variations are recognized only when they are granted in favour of the company, and it is reasonable to expect ultimate collection of such awards. However, from Note 42, it was noted that the Company has raised variations amounting to Rs. 1,448 Crores and Rs 115 Crores, out of which unbilled receivable amounting to Rs. 309.72 crores is outstanding as at March 31, 2019. Further,

it is stated that the management is confident of getting a favourable judgement, which indicates that as at the Balance Sheet date those claims and variations were not granted in favour of the company. Accordingly, it was viewed that the accounting treatment adopted for recognizing revenue of Rs 1448 is not clear. Further, it was viewed that revenue should not be created for Rs 309.72 crore as negotiation was in progress. Hence it is clear that the company has not complied the requirements of Section 129 of the Companies Act, 2013 r/w Ind AS 1 and Ind AS 115 for which the company and officers in default are liable for action.

That too the financial statements for the period ending 2018-2019 to 2022-2023 are not showing true & fair view of affairs of the company, hence, the company has not complied the provisions of Section 128 r/w 129 of the Companies Act, 2013 for which the company and officers in default are liable for penal action.

4. NON-COMPLIANCE OF SECTION 129 OF THE COMPANIES ACT, 2013 r/w IND AS-1:

On examination of the Note 38 (a) and (b) as given on page no 85 of the Annual report for the Financial Year ending 31.03.2019, it was stated that "Afcons Gunanusa Joint Venture (AGJV) had submitted claims for change orders aggregating to Rs 679.21 crore to ONGC. The AGJV has invoked arbitration in respect of the aforesaid change orders, as the same were not approved by Outside Expert Committee (OEC). The Claims against change orders and counter claims by ONGC aggregating to Rs 407.13 crore will be discussed in arbitration. Further it was noted, Afcons Infrastructure Limited has given advances aggregating to Rs. 184.97 Crores which are receivable from AGJV. The recovery of this amount is dependent upon finalization of arbitration award"

However, it is not clear as to what extent these claims are accounted in the books as contract receipts, as receivables and expected credit loss (ECL) made thereon in the books of the Joint Venture, and thereby, its impact on financial statements of company under review. Accordingly, the given Note 38 is not elaborate enough to provide complete information.

Therefore, it was viewed that the given information is obscured as the information regarding a material item, transaction or other event is disclosed in the financial statement, but the language used is vague or unclear. Accordingly, it is a non-compliance of Section 129 of the Companies Act, 2013 r/w Ind AS 1 for which the company and officers are liable for action.

That too the financial statements for the period ending 2018-2019 to 2022-2023 are not showing true & fair view of affairs of the company, hence, it is clear that the company has not prepared proper accounts and has not complied the provisions of Section 128 r/w 129 of the Companies Act, 2013 for which the company and officers in default are liable for penal action.

5. NON-COMPLIANCE OF SECTION 129 OF THE COMPANIES ACT, 2013:

- a) On examination of the Note 39 (a) as given on page no 86 of the Annual report for the Financial Year ending 31.03.2019, it was stated "that Transtonnelstroy Afcons Joint Venture had submitted variations to the client for two projects arising on account of cost overruns due to unforeseen geological conditions, delays in handing over of land, change in scope of work etc., which the Management believes is attributable to the client and the matters are under negotiation with the client/in arbitration /are referred to Dispute Adjudication Board for determination and recovery of the amounts. In the earlier years, Joint Venture had received arbitration awards in few of the matters. The Client has further challenged these arbitration awards before the Hon'ble High Court, Madras. Pending disposal of these matters in the court, client has, upon submission of the bank guarantee by the Joint Venture, deposited part of the award amount with the Joint Venture, pursuant to an interim stay order from Hon'ble High Court, Madras. Based on the Management's estimate of the timing and amount of recoverability which is supported by legal opinion and technical evaluation, the amounts recognized towards these variations/claims as at the year-end are included in Note 7 '*Amounts due from Customers under Construction contracts' as Other Current and Non-current assets amounting to Rs 430.11 crores and Rs 570.00*

crores respectively (Previous Year Rs 688.50 crores and Rs 278.02 crores respectively) and have been considered as good and fully recoverable by the Management and it does not anticipate any further loss to be recognized at this stage.

- b) As, as per accounting policy given under Note 2.3, in case of arbitration, variation and claims are accounted only when they are granted in favour of the company and it is reasonable to expect ultimate collection of such awards. However, the company has recognized claims and variations which are under arbitration proceedings and shown them as receivables under *Note 7 'Amounts due from Customers under Construction contracts'*. Accordingly, it is viewed that the accounting treatment adopted by the company is not in line with the accounting policy on revenue recognition regarding arbitration awards on construction contracts. Such contradictory information creates doubt on the correctness of accounting treatment adopted by the company. Hence, **it is clear that the profit for the year and assets of the company are overstated in its financial statements for the period ending 2018-2019 which are not showing true & fair view of affairs of the company and it is clear that the company has not prepared proper accounts of the company for the period ending 2018-2019 to 2022-2023 which do not reflect true and fair view of affairs and casting a doubt on the reliability of the amount from the said parties. Hence, the company has not complied the provisions of Section 128 r/w 129 of the Companies Act, 2013 for which the company and officers in default are liable for penal action.**

6. On examination of the Note 2.3 related to accounting policy on construction contracts as given on page no. 42-43 of the Annual Report for the Financial year ending 31.03.2019

Abstract of Significant Accounting Policy

2.3 Construction contracts:

The performance obligations are satisfied over time as the work progresses. The Company recognises revenue using input method (i.e. percentage-of-completion

method), based primarily on contract cost incurred to date compared to total estimated contract costs. Changes to total estimated contract costs, if any, are recognised in the period in which they are determined as assessed at the contract level. If the consideration in the contract includes price variation clause or there are amendments in contracts, the Company estimates the amount of consideration to which it will be entitled in exchange for work performed.

The percentage of completion is based primarily on contract cost incurred to date compared to total estimated contract cost for each contract in order to reflect the effective completion of the project. This **percentage of completion could be based on technical milestones** or as per the contractual terms specified. A construction contract is considered completed when the last technical milestone is achieved, which occurs upon contractual transfer of ownership of the asset.

However, as per paragraph 124 of Ind AS 115: Revenue from Contracts with Customers provides that:

"Determining the timing of satisfaction of performance obligations

124. For performance obligations that an entity satisfies over time, an entity shall disclose both of the following:

- a) the methods used to recognise revenue (for example, a description of the output methods or input methods used and how those methods are applied); and..."

It may further be noted that paragraph B 15 of Ind AS 115, Revenue from Contracts with Customers provides that:

B 15 - Output methods recognise revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract. Output methods include methods such as surveys of performance completed to date, appraisals of results achieved, milestones reached, time elapsed and units produced or units delivered. When an entity evaluates whether to apply an output method to measure its progress,

the entity shall consider whether the output selected would faithfully depict the entity's performance towards complete satisfaction of the performance obligation. An output method would not provide a faithful depiction of the entity's performance if the output selected would fail to measure some of the goods or services for which control has transferred to the customer.

In view of the above, it was noted from the accounting policy on construction contracts that in the first paragraph it is stated that contract revenue is recognized **based on the input method**. However, in second paragraph it is stated that percentage of completion could be **based on technical milestones** or as per the contractual terms specified. However, as per paragraph B 15 of Ind AS 115, recognising contract revenue on the basis of technical milestones is an output method.

Accordingly, it was viewed that contradictory information has been given in the accounting policy on construction contracts and it is a non-compliance of Section 129 of the Companies Act, 2013 r/w Ind AS 115 for which the company and officers are liable for action.

7. NON-COMPLIANCE OF DIVISION II SCHEDULE III R/W SECTION 129 OF THE COMPANIES ACT, 2013

It may be noted that the format of Balance Sheet as prescribed under Division II Schedule III to the Companies Act, 2013 requires disclosure of Trade Payables on the face of the Balance Sheet. However, it was noted that Trade Payables has been presented on the face of standalone balance sheet without segregating it into aforesaid two categories i.e, amount due to micro enterprises & small enterprises and others. It was noted that though the bifurcation of trade payables into the amount due to micro enterprises & small enterprises and others, has been disclosed under Note 15, but not on face of the Balance Sheet for the period ending 31.03.20219. It is not in line with the format of Balance Sheet as prescribed under Division II Schedule III to the Companies Act, 2013. Hence, it is clear that the requirements of Schedule III to Companies Act, 2013 have not been complied with and has violated under Division II Schedule III r/w Section 129 of the Companies Act, 2013 for which the company and officers are liable for action.

8. **NON-COMPLIANCE OF SECTION 129 OF THE COMPANIES ACT, 2013 R/W IND AS -7:**

It is seen from to abstract of Cash Flow Statement and Statement of profit & Loss at page No. 39-40 and 37 attached to the Balance Sheet for the Financial Year ending 31.03.2019 respectively, which reads as follows:

Abstract of Cash Flow Statement for the year ended 31st March, 2019

Rs. in Crores

Particulars	For the year ended 31 st March, 2019	For the year ended 31 st March, 2018
Cash flow from operating activities		
Profit after tax	125.05	128.85
Adjustments for:		
... Re-measurement of defined benefit liabilities / (assets) through OCI	(2.50)	(0.55)

Abstract of Statement of Profit and Loss for the year ended 31st March, 2019

Rs. in Crores

Sr. No.	Particulars	For the year ended 31 st March, 2019	For the year ended 31 st March, 2018
7.	Profit for the year (5-6)	125.05	128.55
8.	Other comprehensive income		
	A) Items that will not be reclassified to profit or loss		
	(a) Changes in fair value of equity investment measured at FVTOCI	0.06	7.72
	(b) Remeasurement of defined benefit plans	(3.84)	(0.85)
	(c) Deferred tax on remeasurement of defined benefit plans	1.34	0.30

However, as per paragraph 20 of Ind AS 7, Statement of Cash Flow, provides that under the indirect method, the net cash flow from operating activities is determined by adjusting profit or loss for the effects of:

- a) changes during the period in inventories and operating receivables and payables;
- b) non-cash items such as depreciation, provisions, deferred taxes, unrealised foreign currency gains and losses, and undistributed profits of associates; and
- c) all other items for which the cash effects are investing or financing cash flows."

In view of the above, it was noted that Re-measurement of the defined benefit plan has been deducted under "Other Comprehensive Income". Under Cash Flow Statement, the Profit before tax has been used to derive cash flow from operating activities. However, "re-measurement loss of the defined benefit plan" has been adjusted there. It was viewed that since it is part of Other Comprehensive Income (OCI), so it should not be adjusted to derive cash flow from operating activities and it is clear that the company has not complied Section 129 of the Companies Act, 2013 r/w IND AS-7 for which the company and officers are liable for action.

9. It is seen from the Balance Sheet for the Financial Year ending 31.03.2019 at Note 2.3 regarding accounting policy on Revenue Recognition as given on page no 49-50 and 42 respectively, which reads as follows:

a) Revenue Recognition:

The Company's revenue recognition policy, which is set out in Note 2.3, is central to how the Company values the work it has carried out in each financial year. These policies require forecasts to be made of the outcomes of long-term construction services, which require assessments and judgements to be made on changes in scope of work and claims and variations.

Across construction services there are several long-term and complex projects where the Company has incorporated significant judgements over contractual entitlements. The range of potential outcomes could result in a materially positive or negative change to underlying profitability and cash flow.

Estimates are also required with respect to the below mentioned aspects of the contract.

- Determination of stage of completion;
- Estimation of project completion date;
- Provisions for foreseeable losses; and
- Estimated total revenues and estimated total costs to completion, including claims and variations.

These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Revenue and costs in respect of construction contracts are recognized by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

h) Arbitration Claims:

The forecast profit on contracts includes key judgements over the expected recovery of costs arising from the following: variations to the contract requested by the customer, compensation events, and claims made by the Company for delays or other additional costs for which the customer is liable. These claims could result in disputes that get settled through an arbitration process wherein the outcome of these awards including the timing and the amount (including interest thereon) requires a reasonable degree of estimation. The inclusion of these amounts requires estimation of their recoverability and could impact the level of profit or loss recognized by the Company.

Abstract of Significant Accounting Policies

2.3 Revenue Recognition

Construction contracts:

Claims and amounts in respect thereof are recognized only when negotiations have advanced to a stage where it is probable that the customers) will accept them and amounts can be reliably measured. *In the case of Arbitration Awards (the "Awards" which are granted in favor of the Company, the award amount (including interest thereon), are accounted when they are granted and where it is reasonable to expect ultimate collection of such awards (emphasis supplied)*

In view of the above, it was noted that the accounting policy on construction contracts states that claims are accounted only when arbitration awards are granted in favour of the company and where it is reasonable to expect ultimate collection of such awards. However, under Note 2(A)(h) while stating critical estimates and judgements, the company has stated that the claims which are settled through an arbitration process requires a reasonable degree of estimation of their recoverability and could impact the level of profit or loss recognized by the Company. It was observed that these two statements are inconsistent. Such contradictory information creates doubt on the correctness of accounting treatment adopted by the company.

Hence, the financial statements for the period ending 2018-2019 to 2022-2023 are not showing true & fair view of affairs of the company and it is clear that the company has not prepared proper accounts for the period ending 2018-2019 to 2022-2023 which do not reflect true and fair view of affairs. Hence, the company has not complied the provisions of Section 128 r/w 129 of the Companies Act, 2013 for which the company and officers in default are liable for penal action.

10. It is observed from the Directors Report of the Balance Sheet as at 31.03.2019 that the directors have confirmed inter alia that the company had followed accounting standards, have selected such accounting policies and applied them and taken proper and adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and preventing and detecting fraud and other irregularities where as there are non-compliance of section 129 in respect of various issues as pointed out in above paras and the company has furnished incorrect statement in Directors' Report regarding compliance with all the applicable

accounting standards while finalizing the Annual financial statements. As per the requirements of the provisions of the 134(3)(C) of the Companies Act, 2013, the Board of Directors shall include a Director's responsibility statement confirming that company has complied with all Accounting Standards, selected such accounting policies & consistently applied the same that is reasonable so as to give true and fair view of the Affairs of the company at the end of financial year and of the Profit or Loss of the company for that period. On examination of financial statements of the company during the inquiry violations of Accounting Standards like Ind AS-1, Ind AS-7, and Ind AS-115 r/w Section 129 (1) Companies Act, 2013 has been noticed hence, the Directors have not reported any explanations relating to departure from the compliance of the Accounting Standards in respect of various Disclosures as required under Ind AS-1, Ind AS-7, and Ind AS-115 in the Director's Responsibility Statements for the financial year ending 31.03.2019. Thus, the Directors have failed to comply with provisions of the section 134 of the Companies Act, 2013 in respect of Directors Responsibility Statements for the financial year ending 31.03.2019. Thus, the Company and the officers are liable for Penal action under section 134 of the Companies Act, 2013.

11. Further, in reference to the above issues, it is observed that the debtors in the books which comprises of above-mentioned parties have not been impaired by reviewing receivable at every year end to find out potential impairment/provisioning of debtors and realisable to acerating doubtful or bad debts. Further, the recognition of debtors without provisioning can have impact on revenue recognised in terms of IND AS-11 r/w IND AS-37.

In view of the above, the following major receivables have been enlisted as under:

S.No.	Name of the organization (debtor/description of transaction)	Amount as on 31.03.2019
1.	Sub-contracting work from Transtonneltstroy Afcons JV (TTAJV) for Chennai Metro Rail Ltd (CMRL)	Total receivable due from TTAJV is Rs 888 Crores as on 31.0.2019

2.	Konkan Railway Corporation Limited (KRCL)	Rs.1448 Crores and Rs.309.72 Crores
3.	ONGC	Rs. 184.97 Crores
4.	Amounts due from Customers under Construction contracts' as Other Current and Non-current assets by Transtonnelstroy Afcons Joint Venture	Rs 430.11 crores & Rs 570.00 crores respectively

Further, the company is directed to additionally provided the following details along with supporting evidence: -


1. The company to clarify when was the debtor were booked by the company.
2. Whether the debtor is disputing the payment
3. Actual amount realized against each major debtor from time to time
4. Amount outstanding till date.

In terms of IND AS applicable to the company for revenue recognition and contract assets and liabilities, the company is expected to recognise the revenue and the assets which are not disputed or not materially impaired as result of ongoing litigation. IND AS requires the company not to recognise uncertain revenues and assets. Hence, based on our examination, it is noticed that the company has recognised revenue and assets which were not potentially fully recoverable in view of the ongoing litigation and neither created any provision in this regard. Hence it is seen from the records that the company during the subsequent financial years i.e 2018-2019 to 2022-2023 have also not created any provisions as required in terms of IND AS-11 r/w IND AS-37. Hence there is non-compliance of Section 129 of the CA, 2013 r/w IND AS-11 r/w IND AS-37 for which the company and directors are liable for action.

12. Further, in reference to your letter dated 16.07.2024, the company has not provided complete information/ Chartered accountant certificate for year wise recognition. Please provide the same failing which the company and its officers in default are liable for action Under section 206(7) of the Companies Act, 2013.

13. It is further to stated that the undersign has issued summons U/s 207(3) of the Companies Act, 2013 vide letter dated 15.07.2024 to the Managing Director and CFO for appearance on 16.07.2024 for recording their statement. However the company vide letter dated 16.07.2024 has sought time for one week and requested to reschedule the date. Hence, the request of the company has been considered and they are directed to appear within one week for recording their statement along with the reply to this notice and other documents as called for failing which they are liable for penal action as provided under section 207(4) of the Companies Act, 2013.

You are requested to furnish your comments/clarification along with all documentary evidences **within 5 days** of this letter in quadruplicate in hard copy along with a soft copy in Microsoft word (in **PEN DRIVE**) to the undersigned positively, failing which all the officers/directors in default will be liable for penal action as laid down under Section 207 (4) of the Companies Act, 2013 without any further notice.


Ch. Jaganadh Reddy, ICLS
Deputy Director
Inspector

Copy forwarded to the following Director of the company with a request to share the copy of the same to all the past/present directors of the aforesaid period as stipulated under the provisions of section 20 of the Companies Act, 2013 and send their reply within the stipulated time: -

Copy to:

1. **Mr. Paramasivan Srinivasan,**
85, Versova Venus CHS. Ltd.,
S.V.P Nagar, Plot No.6, Near Mhada Tel Exchange,
Andheri (W)Mumbai,400053, Maharashtra
2. **Mr.Gaurang Maheshchandra Parekh**
201, Somnath Darshan, Kastur Park, Shimpoli Road,
near Suvarna Hospital, Borivali West,
Mumbai,400092- Maharashtra



भारत सरकार
कारपोरेट कार्य मंत्रालय
कार्यालय- प्रादेशिक निदेशक,
पश्चिम क्षेत्र
"एवरेस्ट", 5 वीं मंजिल, 100, मरीन ड्राइव,
मुंबई- 400 002



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GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS
OFFICE OF THE REGIONAL DIRECTOR,
WESTERN REGION
"EVEREST", 5TH FLOOR, 100, MARINE DRIVE,
MUMBAI- 400 002.

TEL: 22811493/22812645/22817259 (Dir), FAX: 22812389. E-Mail- rd.west@mca.gov.in

No. RD (WR)/Insp/206(5)/2023/AII./

6005 to 6007

Date:

To,

24 JUL 2024


Afcons Infrastructure Limited
House" 16, Shah Industrial Estate,
Veera Desai Road, Azadnagar P.O.,
Andheri (West), Mumbai-400053

Subject: Inspection u/s 206(5) of the Companies Act, 2013 of Afcons Infrastructure Limited (U45200MH1976PLC019335) – Reg-

Sir,

I am to refer to the preliminary findings letter. NoRD(WR)/Insp/206(5)/2023/AII./5907 dated 19.07.2024 on the above subject, it is to inform that at **Point No 10** of the preliminary findings letter, it has been stated that "the company has not complied *Ind AS-1, Ind AS-7 and Ind AS-115 r/w Section 129 (1) Companies Act, 2013 r/w 134* of the Companies Act, 2013. However, the same may be read as *Ind AS-1, Ind AS-7, Ind AS-11, Ind AS-37, and Ind AS-115 r/w Section 129 (1) Companies Act, 2013 r/w 134* of the Companies Act, 2013.

Accordingly, you are requested to furnish your reply within stipulated time.


Ch. Jaganadh Reddy, ICLS
Deputy Director
Inspector o/c

Copy forwarded to the following Director of the company with a request to share the copy of the same to all the past/present directors of the aforesaid period as

stipulated under the provisions of section 20 of the Companies Act, 2013 and send their reply within the stipulated time: -

Copy to:

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