

# PwC resigns as auditor of Reliance Group firms

Cites lack of satisfactory response in FY19 audit; firms refute

JASH KRIPLANI & AMRITHA PILLAY  
Mumbai, 12 June

Reliance Capital (RCap) and its subsidiary Reliance Home Finance (RHFL) informed the stock exchanges on Wednesday that their auditor Price Waterhouse & Co (PwC) had resigned citing lack of "satisfactory" response from them during its audit of the 2018-19 financial results.

PwC had noted certain observations and transactions as part of the ongoing audit. The audit firm was of the view that these — if not resolved satisfactorily — might be significant or material to the financial statements, according to the exchange disclosures by the two firms.

The disagreement between the auditor and the two Anil Ambani group firms might also lead to a legal battle, according to the disclosures.

Turn to Page 19 ▶



## MOUNTING WOES

pg 2

Company/ auditors*	% chg in Wednesday's share price
Reliance Capital/ PwC, Pathak HD & Associates	-6.8
Reliance Home Fin/ PwC	-3.9
RCom/ Pathak HD & Associates	-3.0
RInfra/ BSR & Co, Pathak HD & Associates	-1.2
RNippon Life**/ SR Batliboi & Co	-0.9
RPower/ BSR & Co, Pathak HD & Associates	1.2
Reliance Naval/ Pathak HD & Associates	3.0

\*As of June 11; \*\* Anil Ambani group is exiting the firm  
Source: NSEInfobase for NSE-listed firms

▶ FROM PAGE 1

## PwC resigns as auditor of Reliance Group...

PwC was concerned as RCap and RHFL had conveyed to the auditing firm that they "might initiate appropriate legal proceedings against the firm". PwC cited this as one of the reasons that "prevented it from performing its duties as statutory auditors and exercising independent judgment in making a report ... and impaired its independence".

On its part, both RCap and RHFL said, "The company had clearly stated that the same (legal proceedings) would be initiated only if so legally advised, that too if required to protect the interests of all stakeholders, and it is hard to see how PwC has taken exception to this approach."

The disclosures highlight how the two companies and the auditors had come to a standstill during audit of the financial results. PwC had stated that though it had sent two letters — one in April and the other in May — to both companies, seeking clarifications, the companies had not responded satisfactorily.

Meanwhile, RCap and RHFL in their statement have strongly rebutted the reasons cited by PwC. "The company has duly responded to the various queries and letters of PwC and has also duly and validly convened a meeting of the audit committee on June 12, 2019, to further respond to (the auditor's) letter dated May 14, 2019," the two companies informed the exchanges. It

added that the companies expected PwC to participate in the meeting of the audit committee and not resign on the eve of the meeting. The companies have also "duly furnished all requisite and satisfactory details as required by PwC, especially including certification and confirmations of the transactions in question on multiple occasions by PwC themselves," they added.

Experts say the recent development shows how auditors don't want to take any chances, due to the increased scrutiny on their role. "The liabilities for auditors are going up. They are aware that they can even be suspended if they are found not doing due diligence. The Kotak committee has also said that the Securities and Exchange Board of India should have clear powers to act against erring auditors," said Amit Tandon, founder and managing director of proxy advisory firm Institutional Investor Advisory Services.