

FROM NON-COOPERATION TO 'OTHER GROUNDS'

As More Auditors Quit, Street Sees Reason to Worry

Abrupt resignations have taken place at over 30 NSE-listed firms since April 1

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Mumbai: There has been a spate of resignations by company auditors recently for reasons ranging from disputes with India Inc over fees to non-cooperation by companies as well as the cryptically termed 'other grounds', leading market participants to think that the stated reasons may not reflect the true picture.

Since April 1, auditors at more than 30 NSE-listed companies have resigned abruptly mid-way through their term, with more than half citing commercial reasons for the decision, data from primeinfobase.com showed.

Auditors are supposed to specify why they resign from their duties at companies.

Walker Chandio & Co recently resigned as statutory auditor of Zuari Sugar and Power, saying the stipulated audit fees were commercially unviable.

BSR & Co, which resigned from Repec India, said the management had proposed a substantial reduction in audit fees, which it said was not commensurate with the effort involved.

BSR & Associates resigned from Coffee Day Enterprise citing commercial considerations, while SR Batliboi & Co resigned from WPIL Ltd after the company told them to reduce the audit fee by 30%.

"In some cases, it may be genuine—due to the cost structure for both companies as well as auditors; however, in many cases, it looks like forced resignations," said JN Gupta, founder and CEO, Stakeholders Empowerment Services. "For companies, it's very difficult to remove an auditor who does not listen to

them under the current regulations. So, they have found a much easier way to get rid of them by asking the audit firms to reduce their fee citing Covid-19 losses," he said.

Among those who have abruptly quit citing commercial considerations are SHR & Co from Gufic Biosciences, Walker Chandio & Co from Infracore Technologies, SRBC & Co from Tribhovandas Bhimji Zaveri, BSR & Co from DCM Nouvelle, Niraj Adatia & Associates from Windsor Machines and DTS & Associates from Jet Airways.

In several cases, auditors quit after the companies proposed a reduction in their fees, which was unviable

Tandon, managing director, Institutional Investor Advisory Services.

There have been some other reasons as well. Price Waterhouse resigned as auditor of GVK Power & Infrastructure, stating that the company had not provided details of information and explanation sought from GVK Power.

The stock of UPL fell as much as 9% on Friday after KPMG resigned as the auditor of its material arm in Mauritius, though it was to re-organise the audit process.

"Dalal Street is not taking lightly the resignations of auditors for any reason," said Sunil Singhanía, founder of Abakkus Asset Manager LLP. "There was a time when the market used to react negatively only when an auditor resigned over corporate governance issues, but now every resignation raises a red flag and investors dump the stock," he added.

Last year, the stocks of several companies such as Vakrangee and Manpasand fell after their auditors resigned.

"The overall surge in auditor resignations could be for two reasons—one, due to greater regulatory scrutiny recently and two, the risk-reward ratio is extremely skewed in some companies," said Amit