

### **Adani Ports: Auditor Change!!**

Adani Group, in August 2023 said, its port business arm Adani Ports and SEZ Ltd., which is the main revenue contributor to the Gautam Adani-led group, has appointed M S K A & Associates (an independent member firm of BDO International), as APSEZ's auditor. Deloitte Haskins and Sells has decided to resign as Adani Ports' statutory auditor, citing differences of opinion.

In Deloitte's recent meeting with APSEZ management and its audit committee, which, by policy, is comprised of and chaired by independent directors only (G. K. Pillai, Prof G. Raghuram, P. S. Jayakumar and Nirupama Rao), Deloitte indicated a lack of a wider audit role as auditors of other listed Adani portfolio companies," said Adani Ports in a statement Saturday evening. Adani Ports' audit committee was of the view that the grounds advanced by Deloitte for resignation as statutory auditor were not convincing or sufficient to warrant such a move, said the statement.

"It was also conveyed that it is not within the remit of the APSEZ and its board to recommend group-wide appointments as other listed Adani portfolio companies are completely independent, with separate boards, executive teams and minority shareholders. Following this, Deloitte was not willing to continue as APSEZ's statutory auditor and, therefore, it was agreed to amicably end the client-auditor contractual relationship between APSEZ and Deloitte," said Adani Ports. Deloitte Haskins has been Adani Ports' auditor since FY2018 and was reappointed for another five-year term as the statutory auditor only last year. The Adani Ports statement mentioned that in response to a particular query by the audit committee, Deloitte confirmed that they have received all the APSEZ information from the management of the company, before deciding to resign.

"The same has been confirmed by Deloitte in their resignation letter dated 12 August, 2023 to the company," said Adani Ports.

While Deloitte's premature resignation raises concerns about the company's accounting practices yet again, in its Saturday statement Adani Ports said, "The 'other matters' highlighted in the auditor's resignation are adequately disclosed and addressed in the FY23 financial statements, said Adani Ports on Saturday.

"We are fully confident that these matters will be appropriately resolved in our September '23 filing," said Adani Ports in its statement. Deloitte's notes to financial statements as the auditors, both for FY23 and the June quarter, mentioned that Adani Ports re-negotiated the terms of sale of its container terminal under construction in Myanmar with Solar Energy Ltd, which resulted in an impairment loss of Rs. 1,273.38 crore.

"The (Adani) group did not consider it necessary to have an independent external examination of these allegations (made by Hindenburg) because of their evaluation and the ongoing investigation by the Sebi," Deloitte said.

Deloitte had mentioned in the company's FY23 financial results that "there were financing transactions (including equity) with/by certain other parties identified in the allegations made in the short-seller report, which the group has represented to us were not related parties."

On 24 January, US-based short-seller Hindenburg Research alleged that the Gautam Adani-led group executed the "largest con in corporate history," triggering a collapse in Adani group stocks, resulting in a market value loss of over \$150 billion and removing Gautam Adani from the top 10 ranking of the global rich list. This is the third change in auditors for Adani Group companies over the past few months. In May 2023, Shah Dhandharia & Co. LLP stepped down from their role as the auditor of Adani Total Gas. It was replaced by Walker Chandiok & Co. LLP.

In an exchange filing on 8 August, Deloitte brought attention to specific matters within the auditor review report included in the June quarterly earnings statement of Adani Ports.

Deloitte reviewed Adani Ports' interim financials as the "independent auditor" for the June quarter.

Such a review is substantially less in scope than an actual audit, and therefore, it does not enable the auditor to obtain assurance that it would be aware of all significant matters.

In the review report on Adani Ports, Deloitte mentioned a net balance of ₹3,871 crore recoverable from a contractor that provided EPC services, which the company believed was not a related party. "However, the

contractor was identified as a related party in a short seller (Hindenburg Research) report published in January 2023. The net balance with the contractor increased by ₹122 crore on a sequential basis in the June 2023 quarter," Deloitte said.

Deloitte's resignation comes just days before the much-anticipated probe report on the Adani Group by the Indian market regulator.

The Supreme Court directed the Securities and Exchange Board of India (Sebi) to submit its investigation report on Adani Group's market transactions involving 13 suspicious foreign portfolio investors by 14 August.