



**HOME
FINANCE**

January 12, 2020

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Fort,
Mumbai 400 001
BSE Scrip Code: 540709

National Stock Exchange of India Limited
Exchange Plaza, 5th Floor, Plot No. C/1,
G Block, Bandra Kurla Complex,
Bandra (East), Mumbai 400 051
NSE Scrip Symbol: RHFL

Dear Sir(s),

Sub.: Media Release

We enclose herewith the media release issued by the Company which is self-explanatory.

Thanking you.

Yours faithfully,
For Reliance Home Finance Limited

Parul Jain
Company Secretary & Compliance Officer

Encl.: As Above.

Reliance Home Finance Limited

Registered Office: Reliance Center, South Wing, 6th Floor, Off Western Express Highway, Santacruz (East), Mumbai - 400 055

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CIN: L67190MH2008PLC183216

A RELIANCE CAPITAL COMPANY

MEDIA RELEASE

**RELIANCE HOME FINANCE LIMITED (RHF) 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**

**RHFL HAD EVEN PRIOR TO COMMENCEMENT OF THE FORENSIC AUDIT, TRANSPARENTLY
DISCLOSED FULL DETAILS OF LENDING TO POTENTIAL INDIRECTLY LINKED ENTITIES TO
AUDITORS, REGULATOR, 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 NHB, FOR WHICH
NHB HAS ALREADY TAKEN ACTION BY REQUISITE PENALTY AND DIRECTIONS**

**RHFL 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;
 - 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 13 August 2019 for FY 18-19 (page no. 54) 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 by the management, **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 except a case of fraud on the Company for commercial purchase loan for an identified property amounting to [only] Rs. 2.04 Crore which was identified by management ..."*
5. **The forensic report has confirmed** the potential group entities exposure through several intermediate unlisted entities at Rs. 7,984 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 13 August 2019 for the financial year 2018-19 (page no. 72 and 128), the following disclosures have been done:
- "During the Financial Year, the Company had advanced loans under the 'General Purpose Corporate Loan' product to certain bodies corporate including some of the group companies. **All the lending transactions undertaken by the Company are in the ordinary course of business, the terms of which are at arms' length basis** and the same do not constitute transactions with related parties. However, the Company's borrowers in some cases have undertaken onward lending transactions and it is noticed that **the end use of the borrowings from the Company included borrowings by or repayment of financial obligations** to some of the group companies."*
- "Loan advanced under the 'General-Purpose Corporate Loan' product with significant deviations to certain bodies corporate including group companies and outstanding as at March 31, 2019 aggregating to Rs 7,849.89 crore and secured by charge on current assets of borrowers. As stated in the said note, majority of Company's borrowers have undertaken onward lending transaction and end use of the borrowings from the Company included borrowings by or for repayment of financial obligation to some of 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. 7,984 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 limit for non-housing loan portfolio; and b. Alleged deviation from certain policies and procedures.

The National Housing Bank (NHB), to whom all the facts have been provided before the commencement of the forensic audit, have already taken due note of the same, and has taken the following actions:

- imposition of requisite penalty and directions on the Company as regards the alleged regulatory anomalies which include periodic review of loans, concentration of credit, related party transactions and extension of maturity date of NCDs;
 - directed the Company to increase the housing loan disbursements and reduce corporate exposure.
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, including over 20,000 retail NCD holders, and over 8 lakh shareholders.

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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