



राष्ट्रीय वित्तीय रिपोर्टिंग प्राधिकरण
National Financial Reporting Authority

INSPECTION REPORT 2024

Audit Firm:
M/s S R B C & Co. LLP
Audit Firm Network: M/s S.R. Batliboi & Affiliates
Firm Registration No. 324982E/E300003
Inspection Report No.132.2-2024-02
March 16, 2026

NFRA, 7th Floor,
HT House, 18-20, K. G. Marg, New Delhi

Contents

| | |
|--|-----------|
| Executive Summary | 3 |
| Inspection Overview | 4 |
| Audit Quality Inspection Approach | 5 |
| Inspection Methodology | 5 |
| Audit Firm’s Profile..... | 6 |
| Acknowledgment..... | 6 |
| Review of Firm-Wide Audit Quality Control System | 6 |
| Review of Individual Audit Engagement Files focusing on selected Areas of Audit (Property Plant & Equipment and Shares & Investment)..... | 8 |
| Chronology of Events | 12 |
| Appendix A - The Firm’s response to this inspection report..... | 12 |

PART A

Executive Summary

Section 132 of the Companies Act 2013 (**the Act**) mandates the National Financial Reporting Authority (**NFRA**) *inter alia* to monitor compliance with Auditing Standards, to oversee the quality of service of the professions associated with ensuring compliance with such standards, and to suggest measures required for improvement in quality of their services. Under this mandate, NFRA initiated audit quality inspections of the Chartered Accountant firm M/s SRBC & Co LLP in March 2025 (**the Audit Firm/the Firm**) including network firms of M/s S.R. Batliboi & Affiliates. The scope of the inspection included a review of the remedial actions taken by the Firm for the deficiencies reported in the previous inspection report, a focus on human resources, consultation, and monitoring in respect of SQC 1 and a review of five selected individual audit engagements of financial statements for the years ending 31.03.2024, focusing on two significant audit areas, viz., Revenue Recognition and Loans & Advances (Assets). The third focus area was engagement specific. The Inspection included an on-site visit in December 2025. The Firm also submitted an Action Taken Report on the observations of the previous inspection report dated 27.03.2025.

During the inspection, the inspection team held discussions with the Audit Firm personnel, reviewed policies and procedures and examined related documents to arrive at prima facie observations. These observations were discussed with the Firm/Audit teams. Based on discussion, written observations were conveyed to the Audit Firm. After examining the replies, NFRA conveyed a draft inspection report. The Firm provided a response to such report and this inspection report is issued. The key observations are summarized as follows.

Firm-Wide Audit Quality Control System

- a) The eligibility letters issued by the Firm for appointment as auditor needs to be fully compliant with section 141(3) of the Act, as declaration given by the engagement partner needs to use the term ‘relative’ as provided in this section (the Firm uses the term ‘immediate family member’). The Firm assured to take remedial action. (ref. Paragraphs 12 to 16 of this report)
- b) The Firm has policy and procedures to ensure firmwide independence. The Firm has also made a policy that EY Network Firms will not provide non-audit services (subject to some exceptions) to NFRA regulated audit clients. To ensure compliance with the Firm’s policies, the Firm uses various tools with interconnected interfaces. However, there is a need to have an appropriate monitoring mechanism to ensure that the Firm’s policies and procedures on firmwide independence are operating effectively and complied with in practice. (ref. Paragraphs 17 to 19 of this report)

Individual Audit Engagements

- c) In respect of Property Plant & Equipment (in two of the three selected audit engagements), one or more audit procedures were not appropriately performed in respect of annual review of asset retirement obligation, disclosure of useful life of the asset, physical verification of bearer plants and documentation of test of control for addition of PPE. (ref. Paragraphs 21 to 29 of this report)
- d) In respect of Shares & Investments (in the selected audit engagement), appropriate audit procedure was not performed to evaluate Arm's Length Price of related party transaction. (ref. Paragraph 30 of this report).

Inspection Overview

1. Section 132 of the Act, *inter alia*, mandates the NFRA, to monitor compliance with Auditing and Accounting Standards, to oversee the quality of service of the professions associated with ensuring compliance with such standards, and to suggest measures required for improvement in the quality of their services. The relevant provisions of NFRA Rules prescribe the procedures in this regard, which include evaluation of the sufficiency of the quality control system of Auditors and the manner of documentation of their work. Under this mandate, NFRA initiated audit quality inspections in March 2025. The overall objective of audit quality inspections is to evaluate the compliance of the Audit Firm with auditing standards and other regulatory and professional requirements, and the sufficiency and effectiveness of the quality control systems of the Audit Firm, including:
 - (a) adequacy of the governance framework and its functioning.
 - (b) effectiveness of the firm's internal control over audit quality; and
 - (c) system of assessment and identification of audit risks and mitigating measures
2. This year's inspections involved a review of the remedial action taken by the Firm in response to the previous inspection observations, review of certain focus areas, test check of quality control process and a test check of audit engagements performed by the Audit Firm during the year.
3. Inspections are intended to identify areas and opportunities for improvement in the Audit Firm's system of quality control. Inspections are, however, not designed to review all aspects and identify all weaknesses in the governance framework or system of internal control or audit risk assessment framework; nor are they designed to provide absolute assurance about the Audit Firm's quality of audit work. In respect of selected audit engagements, inspections are not designed to identify all the weaknesses in the audit work performed by the auditors in the audit of the financial statements of the selected companies. Inspection reports are also not intended to be either a rating model or a marketing tool for Audit Firms.

Audit Quality Inspection Approach

4. Selection of Audit Firms for the 2024 inspections was based upon the public interest involved, as evidenced by the size, composition and nature of the audit firm, the number of audit engagements completed in the year under review, complexity and diversity of preparer's financial statements audited by the Firm and other risk indicators. M/s S.R. Batliboi Affiliates was one of the Audit Firm networks selected as per the above parameters. M/s SR Batliboi & Affiliates is a registered network with the Institute of Chartered Accountants of India. This is a network of five audit firms. These firms are also members of the EY Global Network. For this year's inspection, the entire SRB Affiliates network was treated as a single entity, and any reference to Audit Firm in this report includes all member firms of SRB & Affiliates that fall under Rule 3 of the NFRA Rules 2018.
5. Selection of individual audit engagements of the Audit Firm was largely risk-based, based on financial and non-financial risk indicators identified by NFRA. Accordingly, the audit files of five audit engagements relating to statutory audit of financial statements for the years ending 31.03.2024 were reviewed during the inspection.
6. The scope of the inspection was as follows:
 - a) Review of the remedial measures and improvements made in response to the previous inspection observations; and focus on Consultation, Monitoring and Human Resource for firm-wide quality controls to evaluate the Audit Firm's adherence to SQC 1, Code of Ethics and the applicable laws and rules.
 - b) Review of individual Audit Engagement Files - A sample of five individual audit engagement files pertaining to the annual statutory audit of financial statements for the years ending 31.03.2024 was selected from different sectors like Power, Tea, Hotel, Pharma and Industrial Goods. Two significant audit areas were identified in respect of each audit engagement viz., Revenue Recognition and Loans & Advances (Assets) considering their inherently higher risk of material misstatements. In addition, a third focus area was selected which was specific to the engagement (Shares & Investment; Property Plant & Equipment; and Inventory).

The selected sample of five individual audit engagements is not representative of the Firm's total population of the audit engagements completed during the year under review.

Inspection Methodology

7. An entry meeting was held with the Firm on 12.11.2025 at NFRA Office. The Firm presented an overview of the Governance and Management Structure, Firm-wide System of Quality Control, their audit approach and methodologies, including IT Systems. The on-site inspection was carried out in December 2025. The inspection methodology comprised

meetings, walkthroughs, presentations and interviews with members of the leadership team as well as the Engagement Teams of the selected audit engagements.

8. The areas of weaknesses or deficiencies on the part of the Audit Firm, included in the inspection reports, should be viewed as areas of potential improvement and not as a negative assessment of the work of the Audit Firm unless specifically indicated otherwise.

Audit Firm's Profile

9. M/s S R B C & Co. LLP is a member of S.R. Batliboi & Affiliates network (**SRB Network**), which is registered with ICAI (The Institute of Chartered Accountants of India). It is a member firm of Ernst & Young Global Limited. The Firm had seven offices in India with 38 partners as on March 31, 2024. The SRB Network has about 120 partners and 4400 personnels. The Firm audited 589 entities for FY 2023-24, which fall under Rule 3 of NFRA Rules 2018.

Acknowledgment

10. NFRA acknowledges the general cooperation of the Audit Firm during the inspection.

PART B

Review of Firm-Wide Audit Quality Control System

11. The previous inspection report was issued on 27.03.2025. The Firm submitted an Action Taken Report (**ATR**) on the observations of the previous inspection report. The inspection team reviewed the ATR, undertook walkthrough of the Firm's tools and tested some samples. The observations on SQC 1 are given hereafter.

A. Independence requirements

Relative vs. Immediate Family Member

12. Section 141 of the Act deals with eligibility, qualifications and disqualifications of auditors. Sub-section 3 of this section provides a list of persons not eligible for appointment as an auditor of a company. This section treats 'relative' of an auditor equivalent to auditor for the purpose of examining qualification of the auditor vis a vis holding security/interest, indebtedness, guarantee, employment and business relationship.
13. The Firm's policy is aligned with the above legal provision. The Firm submitted that before the appointment, the Firm confirms compliance with independence requirements through an eligibility letter issued under Section 139 of the Act.

14. During review, it was noticed that the tool used by the Firm to check independence requirement before issue of eligibility letter under section 139 of the Act uses the term “Immediate Family Member” instead of the term “Relative”¹. The term “Relative” defined in the Act has wider meaning than the term “Immediate Family Member”. Therefore, the eligibility letters issued by the Firm for appointment as auditor needs to fully comply with the provisions of the Act. Further, at the time of appointment also, compliance with section 141 of the Act needs to be checked.
15. The Firm responded that –
- a) the restrictions given under Section 141 of the Act apply from the date of appointment of the auditor;
 - b) the Audit Firm issues eligibility letter, as per requirement under Section 139 of the Act, before the board meeting in which auditor’s appointment is recommended and such letter is signed by the audit engagement partner;
 - c) in cases where the audit engagement partner is not able to confirm at the time of issuing eligibility letter that his/her relatives are not holding financial interests/security and indebtedness or guarantee, it will update the audit teams for the modifying language in the eligibility letter issued by the Firm to reflect that this aspect is pending evaluation. The Firm will then issue an updated eligibility letter in such cases, as and when the audit engagement partner is able to confirm this fact, which will definitely be before the auditor’s appointment as per Act.
16. We will monitor the effectiveness of the process suggested by the Firm during next inspection cycle.

Absence of monitoring mechanism for firmwide independence

17. The Firm has policy and procedures to ensure firmwide independence. The Firm has also made a policy that EY Network Firms will not provide non-audit services (subject to some exceptions) to NFRA regulated audit clients. To ensure compliance with the Firm’s policies, the Firm uses various tools with interconnected interfaces. However, there is a need to have an appropriate monitoring mechanism to ensure that the Firm’s policies and procedures on firmwide independence are operating effectively and complied with in practice as required under paragraphs 18 and 86 of SQC 1.

¹ Section 2(77) of the Act - “relative”, with reference to any person, means any one who is related to another, if— (i) they are members of a Hindu Undivided Family; (ii) they are husband and wife; or (iii) one person is related to the other in such manner as may be prescribed.

A person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely:- (1) Father: Provided that the term “Father” includes step-father; (2) Mother: Provided that the term “Mother” includes the step-mother. (3) Son: Provided that the term “Son” includes the step-son; (4) Son’s wife; (5) Daughter; (6) Daughter’s husband; (7) Brother: Provided that the term “Brother” includes the step-brother; (8) Sister: Provided that the term “Sister” includes the step-sister.

The Term immediate family member is not defined in the Act and understood as spouse (or equivalent), dependent, parent, child or sibling.

18. The Firm responded that –
- a) It submitted a detailed plan to NFRA as referred in 2023 Inspection Report and included self-imposed voluntary restrictions on Non-Audit Services (“NAS”) except certain tax services. Subsequently, it also updated Independence Policy and took specific actions on identifying and restricting NAS on NFRA regulated audit clients.
 - b) With respect to such self-imposed voluntary restrictions, it is now monitoring completion of all legacy engagements of non-tax NAS, by engaging with the respective teams.
 - c) In addition, it will implement a monitoring process for review of NAS engagements for a sample of its audit clients. Evidence of such monitoring of existing NAS engagements would be provided in the next inspection cycle along with process of continuous monitoring thereafter.
19. We will monitor the effectiveness of the process suggested by the Firm during next inspection cycle.

PART C

Review of Individual Audit Engagement Files

20. This section discusses deficiencies observed with respect to three selected audit engagements named as Company - A, Company - B and Company – C). Two significant audit areas were identified for each audit engagement, namely Revenue Recognition and Loans & Advances (Assets) considering their inherently higher risk of material misstatement. In addition, a third focus area specific to the engagement was selected (Property Plant & Equipment; Shares & Investments; and Inventory). Certain critical audit procedures performed by the Firm’s engagement team in respect of these audit areas were reviewed viz., identification and assessment of risk of material misstatement, internal controls, design and execution of audit procedures in response to assessed risk (test of controls, test of details, sample sizes, and analytical reviews etc.), accounting estimates, accounting policies/disclosures and evaluation of identified misstatements. The observations are listed below.

Property Plant & Equipment (PPE)

Company – A

Asset Retirement Obligation/Liability (ARO/ARL/Decommissioning provision)

21. As per the Audit file for the year under inspection, the Company’s method for annual review of the ARO is as follows - “*Annually, management obtains the quotations from vendor for decommissioning cost and selects the **highest quotation** for ARO computation.*” (emphasis

supplied). In the previous year, the aforesaid method was followed by the Company and basis the highest quotation, the ARO and related asset were adjusted upward.

22. During the year under inspection, basis annual review, the Company reduced ARO and related asset by a material amount. This also has an impact on profit for the year as well as will have an impact on the profit for the remaining useful life of the asset. The only reason for such a reduction was that during the year under inspection, the Company changed its method of selecting **highest quotation and switched to selecting lowest quotation**. During the previous year and the current year, the same two parties provided quotations and almost at same levels. The Audit team recorded the reason for such change that the lowest bidder's technical competence was established in the previous year, the management has decided to consider the best quote for the purpose of estimating ARL in the current year. Further, no specific disclosure has been made by the Company about such change in the method and its impact on current and future financial statements.
23. The Audit team did not (a) appropriately evaluate the management decision that lowest bidder was not technically competent in the previous year but became technically competent in the current year (an indicator of possible management bias); (b) evaluate whether the Company has given appropriate disclosure; and (c) communicate with the those charged with the governance this significant aspect of ARO. [ref. Paragraphs 8(c), 12(b) and 21 of SA 540, 39 of Ind AS 8 and 16(a) of SA 260 respectively].

Disclosure about useful life of Wind Power Generation Plant

24. The Schedule II of the Act provides *inter alia* the useful life of 22 years and residual value of 5% for Wind Power Generation Plant and it is also provided that “*Provided that where a company adopts a useful life different from what is specified in Part C or uses a residual value different from the limit specified above, the financial statements shall disclose such difference and provide justification in this behalf duly supported by technical advice*”. (emphasis supplied)
25. The Company, based on technical evaluation, considered the useful life of Wind Power Generation Plant as 30 years, disclosed such useful life in the financial statements and also disclosed that “*Based on an external technical assessment, the management believes that the useful life as given above and residual value of 5% best represents the period over which management expects to use its assets and its residual value. The useful life of plant and equipment is different from the useful life as prescribed under Part C of schedule II of the Companies Act 2013.*”
26. The above disclosure is non-compliant with the above provision of the Act as it does not disclose (a) difference in the useful life of the asset; and (b) the justification for such difference.

Company – B

Physical verification of Bearer Plants

27. The Firm reported in CARO Report [the Companies (Auditor’s Report) Order] that the PPE are physically verified by the management according to a phased program designed to cover all the items over a period of three years, which in the opinion of the auditor is reasonable having regard to the size of the Company and nature of its assets. The Company had material amount of Bearer Plants (Tea bushes - a part of the PPE).
28. The Firm stated that the management follows an indirect approach for the verification of the bearer plants where physical count is impracticable due to the sheer scale of the plantations. Thus, the management relies on yield testing (i.e., weight of green leaves harvested per garden) for the existence of the bearer plants and such process is well established in large companies in the tea industry. However, it was noticed that the substantive analytical procedure (yield testing) performed by the Audit team is not appropriate due to following reasons. (ref. paragraph 18 of SA 330):
- a) Analysis was done by comparing current year yield with previous year yield in respect of total quantity of ‘own production’ and ‘bought tea leaves’. Thus, yield of Bearer plants (own production) was not separately evaluated. This defeated the purpose of yield analysis;
 - b) Wherever variance in the yield of current year in comparison with the previous year was noticed, general remarks were recorded by the Audit team like –
 - *“Last year, there was pest attack resulting in increase in current year production”*. There is no analysis about how much area was affected by pest and what was the impact on the yield;
 - *“increase in production due to field work (i.e., more manure and proper plucking) as last year garden was new”*. There is no analysis about how much more manure was used and its impact on the yield; and
 - *“New garden purchase in January 23 and hence, Leaf was produced only in Q4 in the previous year”*. There is no analysis of its impact on the yield.
 - For the Gardens purchased during the year, no yield analysis was done.

Addition to PPE

29. The Audit file does not have appropriate evidence of performance of substantive test about addition of material amount of PPE during 4th Quarter. The Firm stated that it performed the required substantive audit procedure but the relevant audit work paper could not be assembled in the Audit file at the time of assembly. This is not in accordance with para 14 of SA 230.

Shares & Investment

Company - C

30. Company C acquired Company CC through a 100% share swap in a common control Related Party Transaction. The Audit team did not perform appropriate audit procedure to evaluate Arm's Length Price of the valuations of both the companies beyond obtaining valuation reports of both the companies from the management and performing impairment testing of the Company CC on the acquisition date and the audit report date; and impairment testing of the Company C on the audit report date. (ref. Paragraph 24 of SA 550)

PART D

Chronology of Events

| Sr. No. | Date | Event/Correspondence |
|---------|-----------------------------|--|
| 1. | 27.03.2025 | Publication of previous Inspection Report |
| 2. | 28.03.2025 | Intimation of Inspection from NFRA to the Audit Firm. |
| 3. | 15.04.2025 | The Audit firm provided initial information to NFRA |
| 4. | 06.10.2025 | NFRA requested the Audit Firm to provide Action Taken Report (ATR) to the previous inspection observations |
| 5. | 06.11.2025 | The Firm submitted ATR on previous inspection report, |
| 6. | 12.11.2025 | Pre-Inspection Meeting held at NFRA office. |
| 7. | 01.12.2025 to 09.12.2025 | On Site Inspection |
| 8. | 11.12.2025 | Issue of observations on SQC 1 |
| 9. | 01.01.2026 to 07.01.2026 | Issue of Engagement-Specific Observations |
| 10. | 26.12.2025 to 19.01.2026 | The Audit Firm submitted response to observations. |
| 11. | 15.02.2026 | Draft Inspection Report sent by NFRA to the Audit Firm. |
| 12. | 19.02.2026 | Submission of reply by the Firm to Draft Inspection Report. |
| 13. | 16.03.2026 | Publication of Inspection Report on the website of NFRA as per Rule 8 of NFRA Rules 2018. |

Appendix A - The Firm's response to this inspection report

Pursuant to Section 132(2) of the Companies Act, 2013 and Rule 8 of NFRA Rules, 2018, the Authority is publishing its findings relating to non-compliance with SAs and the sufficiency of the Audit Firm's quality control system. As part of this process, the Audit Firm provided a written response to the Inspection Report, which is attached hereto. NFRA, based on the request of the Audit Firm has excluded the information from this report which was considered proprietary.

February 19, 2026

To

Mr Pukhraj Tak
Executive Director
National Financial Reporting Authority
7th Floor, Hindustan Times House,
Kasturba Gandhi Marg,
New Delhi – 110003

Subject: Response to the Draft Inspection Report 2024 of S R B C & CO LLP

Dear Sir,

We are pleased to provide our response to the Draft Inspection Report 2024 (the “Report”) of National Financial Reporting Authority (“NFRA”) received by us vide email dated February 15, 2026, pertaining to the 2024 inspection of S R B C & CO LLP including network firms of S.R. Batliboi & Affiliates (the “SRB Network”).

Our overriding objective is to make certain that all aspects of our auditing and quality control processes are of the highest quality for the continued benefit of the capital markets in which the public participates and on which they rely. We are committed to performing consistent high-quality audits and consider NFRA’s inspection process to be a key input to further strengthening our plans to improve audit quality.

We respect the NFRA’s inspection process and understand that judgments are involved in performing audits, as well as in subsequent inspections of those audits. We have noted and evaluated the observations described in the Report. While our response to the observations described in Part B of the Report is included therein which is self-explanatory, our response to the engagement level observations described in Part C of the Report is enclosed herewith as Annexure A. We will continue to take necessary actions, where required, for remediation of the observations in accordance with NFRA Rules and our policies and ensure that we remain compliant with applicable policies, rules and law.

We appreciate the opportunity to provide our response to the Report and look forward to working with NFRA on matters of interest to our auditing practice and to identify opportunities to continuously augment our processes and policies.

We remain at your disposal to address any further questions or provide any clarifications/documents as may be necessary, with respect to our responses.

Yours sincerely,



Sandeep Sharma
Partner

Enclosed – Annexure A

Annexure A

Response to Part C of the Report – Observations on individual audit engagement files focusing on selected areas of audit

We have noted your observations regarding the individual audit engagements and as part of our continuous improvement, we are considering how to further enhance our audit file documentation, including recording details of audit procedures performed.

While we have already provided our detailed responses with regard to engagement specific observations during the inspection process, we would like to summarise key aspects considered by us during the course of our audit for specific observations:

- (i) **Asset Retirement Obligation/Liability:** The audit team performed appropriate procedures to evaluate management's ARO estimation, including review of vendor technical assessments and management's rationale for selecting quotations. Since in the previous year there was only one vendor who was assessed to be technically competent, no price comparison with other vendor(s) was possible. In the year under review, two vendors were found technically suitable and the Company, in accordance with its procurement policy, selected the vendor offering the lowest price options and selected the highest range of the quoted price of the selected vendor. Hence, we respectfully assert that there has been no change in the in the method of estimation for the year under review vis-à-vis the earlier year. We have noted the observations and remain committed to further enhancing the clarity of our documentation of the audit procedures performed, including the process followed by the Company.
- (ii) **Disclosure about useful life of Wind Power Generation Plant :** We have noted the observations and would like to draw your attention to the following facts:
 - (a) The life of the asset is 30 years, and it is different from the useful life as prescribed under Part C of schedule II of the Companies Act 2013. This disclosure complies with requirements of paragraph 63(i) of the ICAI Guidance Note on Depreciation in Companies in the context of Schedule II to the Companies Act, 2013. However, we will recommend to the Company to further enhance its disclosures in this regard.
 - (b) The Company has already disclosed the fact that "Based on an external technical assessment, the management believes that the useful life as given above and residual value of 5% best represents the period over which management expects to use its assets." We are of the view that that the disclosure provides appropriate justification for the difference.
- (iii) **Shares & Investment:** The audit team performed appropriate procedures to evaluate the arm's length nature of the transaction, including review of valuation reports, which is a standard procedure for assessing arm's length pricing as well as for impairment testing of both the Companies mentioned in the observation. The audit team will further enhance the clarity and robustness of its documentation in respect of the evaluation performed and the basis for its conclusions on arm's length price testing. The audit team will also strengthen the linkage and cross-referencing of workpapers to all relevant account captions, particularly where audit procedures are common across account captions.