



**Corporate Office :** TCG Financial Center,  
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DHFL/CSD/2018-19/ 1371

Dated: 5<sup>th</sup> March, 2019

The Manager, Listing Department BSE Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai- 400 001.	The Manager, Listing Department National Stock Exchange of India Limited, 'Exchange Plaza', C-1, Block G, Bandra- Kurla Complex, Bandra (East), Mumbai- 400 051.
Kind Attn. DCS – CRD	Kind Attn. Head – Listing
Stock Code : 511072	Stock Code : DHFL

Dear Sir/Madam,

**Sub: Report of Independent Chartered Accountant firm w.r.t. allegations made against the Company by CobraPost**


We wish to inform you that the Company vide its letter no. DHFL/CSD/2018-19/1328 dated 31<sup>st</sup> January, 2019 had intimated the Exchanges that an independent Chartered Accountant firm has been appointed in consultation with the Audit Committee to verify the allegations made against the Company by CobraPost.

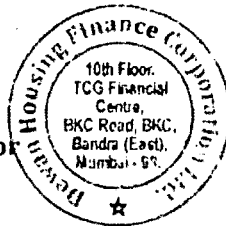
The said independent Chartered Accountant firm viz., M/s. T. P. Ostwal & Associates LLP ("said firm") had placed its report to the Audit Committee members at their meeting held today i.e. on Tuesday, 5<sup>th</sup> March, 2019. The summary of the said Report duly signed by the said firm is enclosed herewith.

Kindly acknowledge receipt and take the same on records.

Thanking you,

Yours sincerely,  
for **Dewan Housing Finance Corporation Limited**

  
**Kapil Wadhawan**  
Chairman & Managing Director  
(DIN: 00028528)  
Place: Mumbai



Enclosure: as above

# T. P. Ostwal & Associates LLP

CHARTERED ACCOUNTANTS

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☎ +91 22 49454000 (Board) ☎ Fax: +91 22 49454010,

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## Executive Summary of Report on the Examination of the Allegations by Cobrapost against Dewan Housing Finance Corporation Limited dated 5<sup>th</sup> March, 2019

1. As per the terms of engagement, our scope was to conduct an examination of the relevant documents and records maintained by Dewan Housing Finance Corporation Limited ("Company" or "DHFL") such as books of account, minutes book, loan agreements, security documents, authorization records, mortgage deeds, and other relevant documents and records to ascertain the correctness, if any, of the allegations levelled against Dewan Housing Finance Corporation Limited and state our findings and conclusion on Questions received by the Compliance Officer of Dewan Housing Finance Corporation Limited by email from the email ID - [newsdesk@cobrapost.com](mailto:newsdesk@cobrapost.com) on January 29, 2019 at 8:27 am.
2. Cobrapost sought responses to 64 allegations which were levelled upon the Promoters, DHFL and various entities alleged to be controlled by the Promoter group.
3. We have verified the transactions & dealings entered into by the Company for the period 1<sup>st</sup> April 2015 to 31<sup>st</sup> December 2018. 25 of the 64 questions do not relate to allegations against Dewan Housing Finance Corporation Limited and therefore have not been examined or addressed by us. Accordingly, we have stated our findings and conclusion on 39 of the 64 questions that relate to allegations on DHFL in our Report, and as stated earlier this is in consonance with our scope of examination in respect of transactions relating to the Company only.

*[This space has been intentionally left blank]*



4. Snapshot of outstanding balances of loans given, as on 31-12-2018

Particular	INR in crores
<b>Retail Loan</b>	
Housing	44,851
Non Housing	13,590
SME	4,924
<b>Wholesale Loan</b>	
Housing – Residential Projects	15,655
SRA Projects	7,021
Non Housing	9,340
Commercial	233
<b>Total Loan Portfolio</b>	<b>95,615</b>

5. In levelling allegations against DHFL & various members of promotor group, we note that Cobrapost loosely refers to 'Shell companies', 'Dubious pass through entities', 'Dubious borrowers' that aggregate to **73 entities** in number. Since a major portion of the allegations pertain to loans extended to entities that are undertaking SRA projects, a brief overview of SRA projects would be helpful and pertinent to our examination and the same forms part of our Report.

6. The allegations made by Cobrapost can be categorized as follows:

Nature of Allegations	No. of Alleged Entities	Amount (INR crores)	
		Cobrapost	Company Records
<b>Alleged entities &amp; amounts (A)</b>	<b>73</b>	<b>30,857</b>	
<b>Less:</b>			
<b>Allegation of:</b>			
Insider Trading (Notional value)	3	1,000	
Assumed TDS Defaults		600	
Assumed Off Shore Assets		5,200	
Donation by Parties other than DHFL		20	
<b>Sub-Total (B)</b>	<b>3</b>	<b>6,820</b>	
<b>Balance (C) = (A - B)</b>	<b>70</b>	<b>24,037</b>	
Alleged entities to whom <b>NO</b> loans have been sanctioned/ disbursed during review period by DHFL	40*	10,304	0.00
Project Loans disbursed that have been repaid up to 31-12-2018	4**	2,211	2,365
<b>Total (D)</b>	<b>44</b>	<b>12,515</b>	<b>2,365</b>
<b>Balance Loans Outstanding as on 31-12-2018 (C-D)</b>	<b>26</b>	<b>11,522</b>	<b>10,960</b>
Loans sanctioned for SRA Projects	15	7,525	7,485
Loans sanctioned for other Projects	11	3,997	3,475



*\* We have cross-checked the records from the accounting/ operational system of the Company to verify that no loans were sanctioned/ disbursed to these 40 entities during April 2015 to December 2018. The management has submitted that the allegations of loans to some of these entities actually relate to companies that have provided guarantees/ companies that are under subvention schemes of retail borrowers. We have therefore, not examined any further information regarding these entities.*

*\*\* We have cross-checked the records from the accounting system of the Company to verify that loans to such parties were actually repaid and funds were received by the Company as at 31-12-2018. As such, we have therefore, not examined any further information regarding these entities.*

7. As summarised in the above categorization we have examined the transactions of DHFL with 26 entities for loans aggregating to INR 11,522 Crs (INR 10,960 Crs as per the Company's records).

8. **Our major findings and conclusions are as follows:**

8.1. The Company has not promoted any of the alleged 26 "shell" companies that are borrowers. Further, it does not have any directors in common, including members from the Promoter group, with any of these alleged "shell" companies. Further, the Company or Promoters do not have any shareholding in these entities, nor are these entities shareholders of the Company. Accordingly, there are no indications to confirm the allegations that the Company has created shell companies to divert funds.

8.2. We were unable to find evidence to support the allegations that the Promoters have concealed shareholding in the Company neither did we find any evidence to support the allegation of insider trading.

8.3. The Company has policies in place to undertake pre-sanction due diligences and legal, technical and credit analyses to ensure adequacy of security against loans to be sanctioned and also to take on record corporate KYC related documents. The value of security has been verified by independent valuers and report from such valuers have been obtained and are on record. Certain lapses and departures from the SOPs and policies laid by the Company have been identified. These lapses point to deficiency in the adherence with the policies in several instances – the risk of which needs to be examined by the Company.

8.4. Though the Company is required to monitor post disbursement end use of funds by the borrowers, our examination indicates the monitoring in respect of 15 borrowers (loans amounting to INR 7,485 crores) is significantly inadequate.

8.5. The records do not indicate that the Risk Management Committee undertook ongoing monitoring of compliance with exposure ceilings prescribed by the

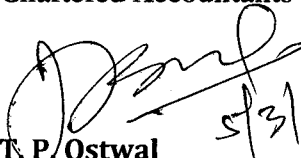


- Regulator. However, compliance with prudential norms for exposure is tested at the time of sanction of loans by the operational teams.
- 8.6. The composition of the Finance Committee which sanctions loans that exceed INR 200 Crores consists of Mr Kapil Wadhawan & Mr Dheeraj Wadhawan (Promoter-directors) and one independent director. Therefore, the Promoter-directors can be said to have significant influence in the loan sanction process for loans exceeding INR 200 crores. In absence of any evidence to suggest influence, we believe that their decisions are within the framework of the provisions of the Companies Act, 2013 and National Housing Bank ("NHB"). It should also be noted that the minutes of the Finance Committee's meetings are placed before the Board in subsequent meeting, for taking on record.
- 8.7. There are certain instances of deviations and non-adherence to the terms of sanction of loans having major risk implications, especially in relation to post-sanction monitoring of fund use by borrowers. As such, non-compliances with the terms of the borrowing and possible diversion of funds, if any, by the borrowers would have escaped attention of the Company.
- 8.8. There are also adverse implications resulting into invalidity of the charges created on assets of 4 borrowers (loans amounting to INR 2000 crores) due to non-registration of such charges. Under the provisions of the Companies Act, 2013, such delayed registration of charges is not possible.
- 8.9. Pertaining to allegations in respect of loans worth INR 14,282 crores to 45 borrower-companies that are alleged to be part of Sahana group and/ or Wadhawan group, we do not find merit in these allegations. Further, loans were disbursed during our review period to only 10 entities of the alleged 45 entities amounting to INR 4,715 crores, of which INR 1,640 crores have been repaid by the borrowers up to 31-12-2018. No loans were given to any of the other 35 entities during the period of our review.
- 8.10. The allegation of political considerations in connection with certain lending was found to be baseless and without merit - there was no nexus between loans sanctioned and timing of the elections. All of such loans were, in fact, not sanctioned before or during either the Gujarat (December 2017) or Karnataka (May 2018) state elections.
- 8.11. No evidence was found to corroborate or support allegations of tax fraud perpetrated by the Company or violations of various other statutes (Income-tax Act, 1961, Companies Act, 2013, FEMA, 2019, etc.) - prima facie also, it can be concluded that the Company could not have been party to such frauds since there was no role for the Company to play in the perpetration of any such fraud.



8.12. The Company has sanctioned and disbursed loans aggregating to Rs. 2,000 crores to Notion Real Estate Private Limited, Earleen Real Estate Developers Private Limited, Prashul Real Estate Private Limited, Edweena Real Estate Private Limited as project loans for SRA development. Further, our examination of available financial statements of Darshan Developers indicates that the shareholding has indeed undergone a change during the period of our review and it is highly probable that certain amounts lent to the 4 companies may have been used to purchase shares of Darshan Developers aggregating to INR 1,424.16 crores from Kyta Advisors and other instruments worth INR 299.28 crores (total INR 1,723.44 crores).

For T. P. Ostwal & Associates LLP  
Chartered Accountants

  
5/3/2019

T. P. Ostwal

Partner

Membership Number: 030848

Firm Registration Number: 124444W/ W100150

