



DME Development Limited

(A Wholly Owned Entity of NHAI)

NHAI Corporate Office, Plot G -5 &6, Sector – 10, Dwarka, New Delhi – 110075

CIN : U45202DL2020GOI368878/PH : 011- 25074100/25074200

Email: dmedl@nhai.org

Website: dmedl.in

Date: 19.12.2024

To,

**National Stock Exchange of India Ltd.
Exchange Plaza, Jeevan Vihar
Building, 4th Floor, Road Area, 3,
Sansad Marg, Janpath, Connaught
Place,
Delhi 110001**

**BSE Limited
Floor 25, Phiroze Jeejeebhoy Towers, Dalal
Street,
Mumbai -400001**

Subject: Disclosure of the impact of audit qualifications

Dear Sir,

Pursuant to the SEBI Notification No SEBI/ LAD-NRO/GN2016-17/001 Dated May 26th, 2016 and Circular No CIR/CFD/CMD/56/2016 Dated May 27, 2016 issued by the Securities & Exchange Board of India (SEBI) on Disclosure of the Impact of Audit qualifications by the Listed Entities prescribed in Schedule VII read with Regulation 52 of SEBI (LODR), (Amendment), Regulations, 2016. We submit here with enclosed statement on impact of Audit Qualifications for the financial result of the company March 31st, 2024.

You are requested to take it on record.

Thanking you

For DME Development Limited

**(Prachi Mittal)
Company Secretary & Compliance Officer**

ANNEXURE I

Statement on Impact of Audit Qualifications (for audit report with modified opinion) submitted along-with Annual Audited Financial Results - (Standalone separately)

| Statement on Impact of Audit Qualifications for the Financial Year ended March 31, 2024 (See Regulation 33 / 52 of the SEBI (LODR) (Amendment) Regulations, 2016) | | | | |
|--|--|---|--|--|
| I. | Sl. No. | Particulars | Audited Figures (as reported before adjusting for qualifications) (Rs. In lakh) | Adjusted Figures (audited figures after adjusting for qualifications) (Rs. In lakh) |
| | 1. | Turnover / Total income | 0.05 | 0.05 |
| | 2. | Total Expenditure | 95.07 | 2,89,411.26 |
| | 3. | Net Profit/(Loss) after Tax | (70.31) | (2,14,164.29) |
| | 4. | Earnings Per Share | (0.02) | (46.61) |
| | 5. | Total Assets | 47,29,530.21 | 45,15,436.23 |
| | 6. | Total Liabilities | 42,06,442.39 | 42,06,442.39 |
| | 7. | Net Worth | 5,23,087.82 | 3,08,993.84 |
| | 8. | Any other financial item(s) (as felt appropriate by the management) | - | - |
| II. | Audit Qualification (each audit qualification separately): | | | |
| | <p>a. Details of Audit Qualification:</p> <ol style="list-style-type: none"> Recognition of revenue is not in accordance with Ind AS 115. Impact thereon is not readily ascertainable. The borrowing cost is not recognize as an expenses in accordance with the provision of Appendix of Ind AS 115 and in line with Ind AS 23. Financial assets are not amortized over its useful life in accordance with Ind AS 115 And Ind AS 109. Financial assets are verified based on certificate provided the NHAI but due to the absence of the supporting documents, vouchers etc., examination related to expenditure is not possible. <p>b. Type of Audit Qualification : Qualified Opinion</p> <p>c. Frequency of qualification: Appeared first time</p> <p>d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:</p> <p>e. For Audit Qualification(s) where the impact is not quantified by the auditor:</p> <p>(i) Management's estimation on the impact of audit qualification:</p> <ol style="list-style-type: none"> Recognition of revenue is not in accordance with Ind AS 115. Impact thereon is not readily ascertainable. <p>Management Reply;</p> <p>As per the provisions (Article 23.6) of the Concession Agreement signed Between DME DL & NHAI, "The periodicity and Quantum of the Annuity shall be required to be aligned with the terms agreed with the lenders under the financing agreement". Further, Annuity is not linked with the partial/ full SCOD of the project. The repayment schedule will start from September 2024 and onwards. So, the annuity will be due and payable by NHAI to DME DL from September 2024 only, as per the executed agreements & hence, revenue recognition starts from FY 25</p> | | | |

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2. The borrowing cost is not recognize as an expenses in accordance with the provision of Appendix of Ind AS 115 and in line with Ind AS 23.

Management Reply;

The present treatment of interest cost on the borrowing by DME DL is capitalized as DME DL is required to maintain Debt-Equity ratio of a maximum 9:1. The total Equity received by DME from NHA till 31.03.2024 is Rs.5,234 Cr., whereas total interest on borrowings made till 31.03.2024 amounts to Rs. 5,536.79. Total Debt (RTL + Bonds) as on 31.03.2024 was Rs.40,565 Cr. If the interest on borrowings is charged to the P&L account, the net loss till 31.03.2024 amounting Rs 5,536.79 Cr. needs to be set off from the equity of DME DL. This will result in negative equity of Rs.302.79 Cr. Therefore, to comply with the agreement executed with the Lenders, the present treatment of capitalizing the interest is being followed. (However, as the equity is complete in FY 25 and annuities have been started, this anomaly shall be resolved in FY 25.)

3. Financial assets are not amortized over its useful life in accordance with Ind AS 115 Ind AS 109.

Management Reply;

The amortization of the financial assets will hit the P&L account by Approximately Rs 1271 Cr., Which will increase the Debt Equity ratio to 10.24:1, which is beyond 9:1. This will result in a breach of conditions of the contract executed with the Lenders and also against the approval received from GOI. Once the annuity starts from NHA i.e., 30/09/2024 & onwards, we shall begin the amortization of Financial Assets in compliance with the provisions of IND AS 115 & IND AS 109. (However, as the equity is complete in FY 25 and annuities have been started, this anomaly shall be resolved in FY 25.)

4. Financial assets are verified based on certificate provided the NHA but due to the absence of the supporting documents, vouchers etc., examination related to expenditure is not possible.

Management Reply;

The Certificate provided by NHA confirming the expenditure incurred on the project till 31/03/2024 can be relied upon as NHA is a Statutory Body created by the Act of Parliament and the actual execution agency for the project. The Books of accounts of NHA are audited by CAG and the said expenditure has been audited by the CAG.

(ii) If management is unable to estimate the impact, reasons for the same:

(iii) Auditors' Comments on (i) or (ii) above:

The Auditors are agree with the same as mention under e (i) above and no other comments have been made by us.

III. Signed by

(Gautam Vishal)
CEO

(Ananta Manohar)
CFO

(Rajesh Ranjan)
Audit Committee Chairman

(AAAG & CO, LLP)
Statutory Auditor



Place: New Delhi
Date: 19/12/2024