

Insights Unwrapped

Ambiguous Financial Reporting

Ambiguous Financial Reporting

There have been instances where auditors' comments in financial statements appeared too vague, potentially leading to misinterpretations that could tarnish a company's reputation. In some cases, such remarks might have been misleading, while in others, they may have been genuine but poorly articulated.

Our database includes examples from the past where ambiguous or inadequately explained observations caused unwarranted concerns among stakeholders. These cases underline the importance of clarity and precision in audit reports to prevent miscommunication and maintain trust.

Fair value of instruments measured at amortised cost

Fair value of instruments measured at amortised cost for which fair value is disclosed is as follows:

(All amounts in ₹ in lakh unless otherwise stated)

Particulars	Level	31 March 2022		31 March 2021	
		Carrying value	Fair value	Carrying value	Fair value
Financial assets					
Other financial assets	Level 3	10,837.89	10,911.15	11,589.19	11,618.05
Total financial assets		10,837.89	10,911.15	11,589.19	11,618.05
Financial liabilities					
Borrowings	Level 3	40,423.81	46,191.14	20,173.60	20,182.86
Lease liabilities	Level 3	3,673.58	3,882.35	1,437.84	1,676.48
Other financial liabilities	Level 3	303.78	303.78	-	-
Total financial liabilities		44,401.17	50,377.27	21,611.44	21,859.34

Amortized Fair Value should always be less than or equal to the Carrying Value (on the liability side).

How is it possible for the Fair Value to exceed the Carrying Value in this instance?

Source: Amber's Annual Report F2022

Customer revenue concentration-

For the year ended March 31, 2022, revenue of INR 259.6 million was derived from a single external customer in the Air Passage segment. In comparison, for the year ended March 31, 2021, revenue of INR 158.74 million was derived from two external customers. These contributions individually accounted for more than 10% of the total revenue. Its presence in 3 distinct distribution channels provides the Company with a diversified customer base and wide distribution network. ***More than 90% of its business is B2C at present while the rest comprises either travel agent or corporate business.***

Is it possible for one customer to contribute more than 10% of revenues while over 90% of revenues are from B2C?

In contrast, MakeMyTrip does not face such customer concentration risk. According to MakeMyTrip's Annual Report, the nature of the business primarily involves individual customers. None of the corporate or other customers account for 10% or more of the Group's revenues.

During the year, the fixed assets of the Company have been physically verified by the management and as informed, no material discrepancies were noticed on such verification. In our opinion, the frequency of verification is reasonable having regard to the size of the Company and the nature of its assets.

BUT... at the same time

The Company is in the process of updating its fixed asset register showing full particulars, including quantitative details and situation of fixed assets. – Annual Report FY18

Cheques amounting to approximately 50% of the Annual Sales were deposited after banking hours on the closing date, March 31?

Particulars	March 31, 2022	March 31, 2021
	₹ In Crore	₹ In Crore
Balance in current account	8,391.01	3,686.90
Deposits with original maturity of less than three months	205.64	510.91
Cash on hand	0.12	0.23
Cash and Cash Equivalents as per Balance Sheet*	8,596.77	4,198.04
Cash & Cash Equivalents attributable to Assets held for sale (refer note 39)	23.03	2.93
Cash and Cash Equivalents as per Cash Flow Statement	8,619.80	4,200.97

* includes cheques realised subsequent to the Balance Sheet date amounting ₹7,819.53 crore (Previous year ₹2,853.26 crore)

Source: Annual Report FY22

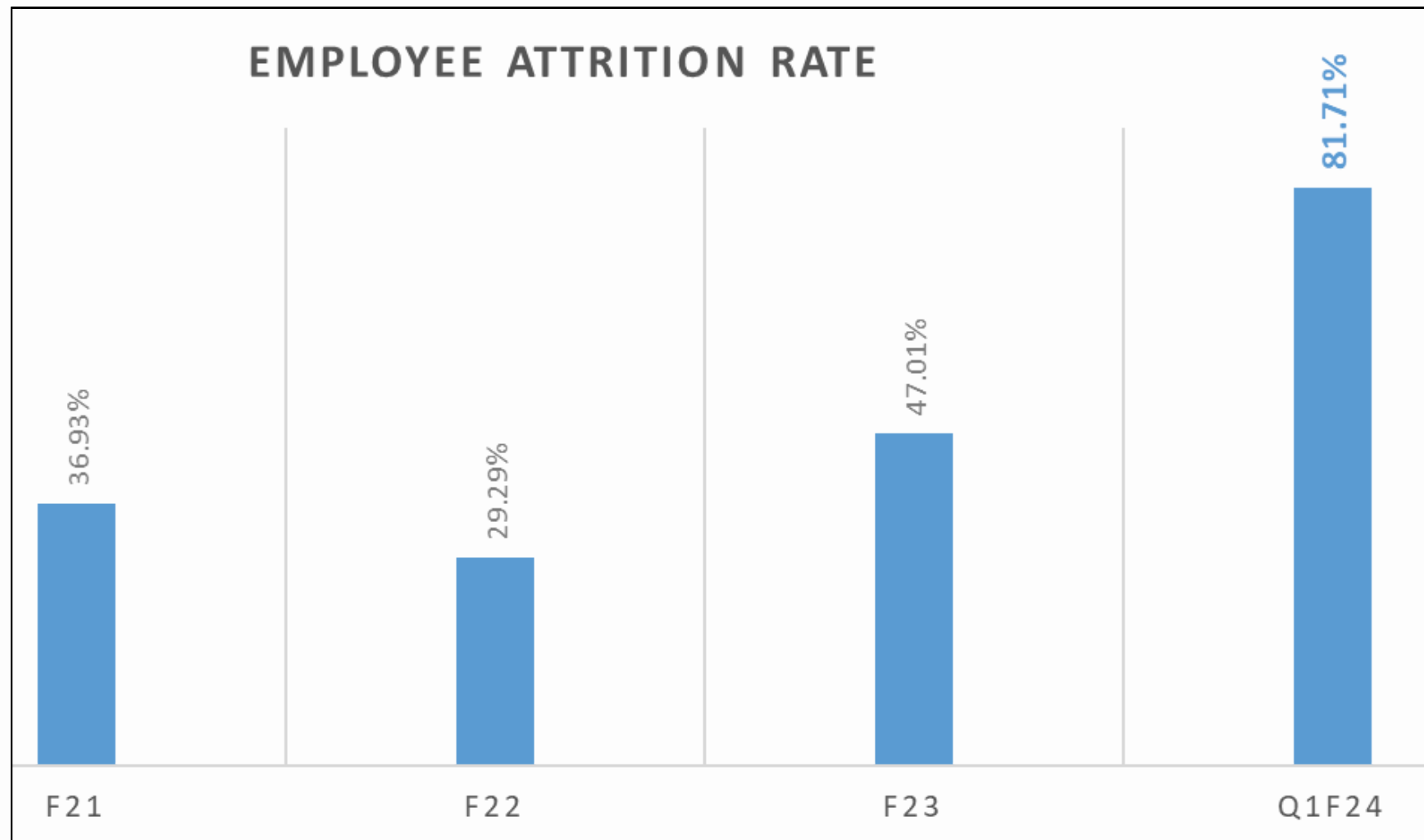
The RBI in 2019 introduced requirement for reconciliation to be completed within three days from the transaction taking place.

“We typically have contractual obligations with our customers and other third parties and, subject to certain conditions, are ultimately liable for the reimbursement or replenishment of any shortfall however caused. Such liability is ordinarily required to be satisfied as soon as reasonably practicable after detection, and in most cases within one month of detection.”

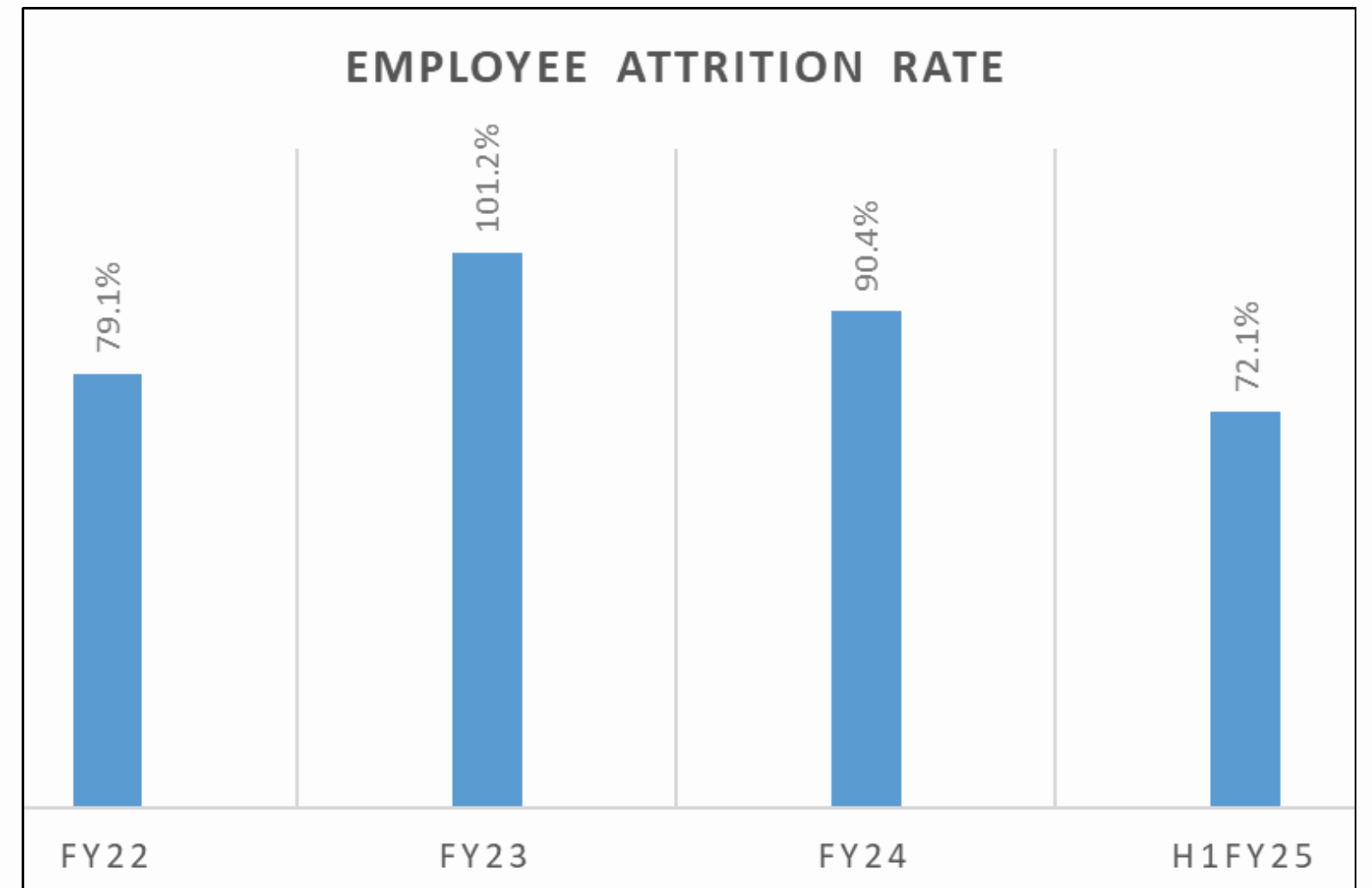
A ₹337.16 million increase in trade receivables written off (net of the provision of earlier year) partially as a result of the change in RBI regulations to shorten reconciliation period requiring banks and MSPs to complete all pending reconciliations, leading in increased trade receivables written off (net of provision of earlier years) in Fiscal Year 2020. – CMS RHP

Such High Attrition?

Honasa Consumer Ltd



Vishal Mega Mart



“For the three months period ended June 30, 2022 and 2023, the overall employee attrition rate is not annualized as the full year period has not lapsed”. – RHP (Pg 53)

Vishal Mega Mart	FY22	FY23	FY24	H1FY25
Employee Attrition Rate	79.1%	101.2%	90.4%	72.1%
KMP Attrition Rate		40.0%	33.3%	33.3%
Senior Mgt Attrition Rate	10.0%	10.0%	20.0%	

Where are the employees going?

Note: Employee Attrition rate for H1FY25 is annualized, KMP and Senior Management Attrition rate is not annualised.

DISCLAIMER

This report has been prepared by Research Analyst and is solely for information of the recipient only. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite or the particular circumstances of an individual investor; readers are requested to take professional advice before investing. Nothing in this document should be construed as investment advice.

Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in securities of the companies referred to in this document (including merits and risks) and should consult their own advisors to determine merits and risks of such investment.

The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete. Research Analyst is not obliged to update this report for such changes. Research Analyst has the right to make changes and modifications at any time.

This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject Research Analyst or its affiliates to any registration or licensing requirement within such jurisdiction. If this report is inadvertently sent or has reached any person in such country, especially, United States of America, the same should be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published in whole or in part, directly or indirectly, for any purposes or in any manner.

It should not be considered to be taken as an offer to sell or a solicitation to buy any security. This document is not, and should not, be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments. This report should not be construed as an invitation or solicitation to do business with Research Analyst.

Research Analyst do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report.

TRUDENCE CAPITAL ADVISORS PRIVATE LIMITED

Trade Name: TRUDENCE CAPITAL

Registration No.: INH000015747 **CIN:** U73200MH2024PTC417356

Registered office Address: FLT NO 63 1 F CTS NO. 168, KALPATARU, AURA BLDG, LBS MARG OPP R CITY MALL, MUMBAI, MAHARASHTRA, 400086

Contact No: 8224900841 **Email Id:** nitin@iiinsight.com

Compliance Officer: Nitin Mangal **Contact No:** 8224900841 **Email Id:** nitin@iiinsight.com

Grievance Officer: Nitin Mangal **Contact No:** 8224900841

Email ID: nitin@iiinsight.com

Standard warning

“Investment in securities market are subject to market risks. Read all the related documents carefully before investing.”

Disclaimers

“Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors”