

May 24, 2023

Krisumi Corporation
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Confidential and for the kind attention of the management

Dear Sir,

MANAGEMENT ASSURANCE SERVICES | ADMIN PROCUREMENT & PROJECT AUDIT | OUR TERMS OF REFERENCE

On behalf of MGC Global Risk Advisory LLP ('MGC Global' or 'we' or 'us' or 'the Service Provider'), I would like to thank you for the opportunity to provide assistance to Krisumi Corporation ('KC' or 'the Company' or 'you') in undertaking a special review relating to administration expenditure (*material & services*) of approximating INR 6 crore for the financial years ended March 31, 2022 and March 31, 2023 and Project Audit. This proposal cum draft engagement letter sets out the services that will be undertaken by MGC Global for KC.

1. BACKGROUND & CONTEXT

- 1.1 An enterprising collaboration between Sumitomo Corporation, Japan and Krishna Group. KC has launched the new Krisumi Waterfall Residencies - a mini Japanese waterfall residency in Gurgaon. The Company uses Farvision as its software recording of invoices.
- 1.2 KC requires assistance from MGC Global in undertaking a review of its procurement relating to administration expenditure (*material & services*) of approximating INR 6 crore for the financial years ended March 31, 2022 and March 31, 2023 and Project Audit. This proposal cum draft engagement letter sets out the terms of reference for the same.

2. SCOPE OF WORK

- 2.1 The scope of our work entails a review of the following activities relating to administration expenditure.

Administration Expenditure

- Requisitioning, quotation management and rate finalization;
- Retention of documentation relating to negotiations and finalization of contracts for purchases & services;
- Management of contracts (*including those relating to security, housekeeping, horticulture, etc.*);
- Consumption analysis;
- Utilization of services;
- Material Inward;
- Storage of material;
- Invoice verification and payment processing; &
- Approvals and adherence with the authority level matrix ('ALM') and delegation of authority ('DOA') charter.
- Scrutinize admin expenses in detail, looking for red flags & irregularities.

Project Audits

- Review of Project Schedule & monitoring;
- Process for bill certification and documentation;
- Process for MIS preparation and reporting;
- Process for material receipt, storage & stacking of materials;

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- Process for review of material incoming and gate entry controls;
- Review of various reconciliation pertaining to projects;
- Review of quality procedures (*Incoming material, evidence of test of material receipt, etc.*); &
- Review of process relating to employee, health and safety ('EHS').

3. APPROACH

3.1 The approach that we will adopt will be a combination of predictive, analytical and substantive (*based on the principles of sampling*) tests, which will include the following.

- Obtain understanding of processes, ERP controls & its evaluation
- Apply various analytical procedures to identify anomalies or patterns that may indicate irregularities which could involve comparing expense trends over the time, benchmarking against industry standards, ratio analysis to spot outliers.
- Assess variances in rates of specific materials with various vendors that may have been used for the same.
- Assess the share of business given to specific vendors.
- Select samples for substantive testing for compliance with the procurement manual, authority level matrix ('ALM') & delegation of authority charter ('DOA').
- Inquire of and inspect documentation to support comparative quotations (*as per the procurement manual*) for vendors onboarded.
- Inquire of and inspect documentation to support the conduct of a cost benefit analysis in the event of not selecting the vendor with the lowest quote and its approval as per the DOA and ALM.
- Obtain and assess if major purchases were supported by agreements and if the agreements were executed as per the ALM and DOA.
- Obtain a report of the goods receipt notes (*for materials*) and service conformations and identify samples for substantive testing.
- Check for compliance against timely closure of quality conformity reports.
- Review compliances with provisions of the various applicable acts.
- Undertake a 5-way map (*purchase requisition v/s purchase order v/s goods receipt note v/s invoice v/s payment*).
- Scrutinize administration expenses in detail, looking for red flags & irregularities.
- Assess if vendors were approved after receiving duly filled forms, KYC and all relevant documents as stated in the procurement manual.
- Inspect the vendor master for duplicate vendors in the system (*via PAN*).
- Comment on potential dummy (*ghost*) vendors (*if created*).

4. TIMETABLE

- 4.1 We can commence this engagement on ~~July 02, 2023~~ ^{JUNE} and expect to be able to complete the same in 8 to 9 weeks from commencement.
- 4.2 Due to the nature of this assignment, these timeframes are indicative and may vary somewhat, depending on the timely availability of information and time of the representatives of the Company whom you would identify to interact with us.
- 4.3 Weekly updates will be sent throughout the duration of the engagement. In addition, our team will schedule conference calls with you, whenever required in the interim.

5. FEE

- 5.1 Our fee is based on our estimate of the time required for us to do sound professional work and the level of staff assigned to the engagement. Sarthak Taneja (*Associate Partner*) will be responsible for the execution and Monish G Chatrath (*Managing Partner*) will be the concurring review and relationship partner on this engagement.
- 5.2 Our fee for this engagement shall be INR 8 lacs, of which 35% will be payable on commencement, 55% on the submission of our draft report and the balance on the submission of our final report. Goods and service tax (as applicable) shall be levied additionally. Out of pocket costs such as travel, and incidentals shall be charged at actuals and our policy is to keep these costs down to a minimum.



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- 5.3 Our fee estimate is based on anticipated cooperation from the Company and the assumption that unexpected circumstances will not be encountered during our analysis. If significant additional time is necessary, we will inform you of the same, well in advance of the scheduled timetable. We will keep you informed of any problems that we encounter, which may need adjustments in our fees. Our invoices will be rendered as per clause 5.2 above and are payable on presentation.
- 5.4 In accordance with our Firm's policies, work may be suspended if your account becomes ten days or more overdue and will not be resumed until your account is paid for in full. If we elect to terminate our services for non-payment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended by our Firm through the date of termination.

6. LIMITATION OF LIABILITY

- 6.1 We take pride in the quality of our work and will do our best to provide you with outstanding professional services. However, in the event you are dissatisfied with our services, it is understood that our maximum liability to the Company for any reason, including our Firm's negligence, relating to our services will be limited to the fee paid to our Firm for the services or work product giving rise to the liability. In no event will our liability under the terms of this letter include responsibility for any claimed incidental, consequential or exemplary damages.
- 6.2 The liability of our Firm to the addressees of the engagement letter in connection with any report or communication relating to this engagement and/or prepared pursuant to it shall be limited to the proportion of the total damage which may justly and equitably be attributed to our Firm, after taking into account contributory negligence (if any) of the addressees. No employee or partner of our Firm or of MGC Global Risk Advisory LLP shall have any individual financial liability for the work performed. The aggregate liability of our Firm shall be limited to the amount of the fee received on this assignment.

7. OTHER MATTERS

- 7.1 The scope of our work is as set out in this engagement letter. We will exercise all reasonable and proper skill and attention necessary to discharge our duty of care to you within the parameters of the scope of work.

8. CONFIRMATION

- 8.1 We shall be grateful if you would acknowledge agreement with this letter by signing the enclosed copy and returning it to us.

We look forward to working with you.

Yours faithfully,

Sarthak Taneja

Sarthak Taneja
Associate Partner

I hereby confirm that MGC Global Risk Advisory LLP is engaged to execute this engagement in accordance with the terms set out above.

Signed:

Aakash Khurana

Name:

AKASH KHURANA



Title: CEO
For and on behalf of Krisumi Corporation
Date:

