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Report on

2014 Inspection of Yoganandh & Ram
(Headquartered in Chennai, Republic of India)

Issued by the

Public Company Accounting Oversight Board

July 30, 2015

THIS IS A PUBLIC VERSION OF A PCAOB INSPECTION REPORT

PORTIONS OF THE COMPLETE REPORT ARE OMITTED FROM THIS DOCUMENT IN ORDER TO COMPLY WITH SECTIONS 104(g)(2) AND 105(b)(5)(A) OF THE SARBANES-OXLEY ACT OF 2002

PCAOB RELEASE NO. 104-2015-187A
(Includes portions of Part II of the full report that
were not included in PCAOB Release No. 104-2015-187)

PCAOB Release No. 104-2015-187A

2014 INSPECTION OF YOGANANDH & RAM

Preface

In 2014, the Public Company Accounting Oversight Board ("PCAOB" or "the Board") conducted an inspection of the registered public accounting firm Yoganandh & Ram ("the Firm") pursuant to the Sarbanes-Oxley Act of 2002 ("the Act").

Inspections are designed and performed to provide a basis for assessing the degree of compliance by a firm with applicable requirements related to issuer audit work. For a description of the procedures the Board's inspectors may perform to fulfill this responsibility, see Part I.C of this report (which also contains additional information concerning PCAOB inspections generally). Overall, the inspection process included a review of portions of one issuer audit performed by the Firm. This review was intended to identify whether deficiencies existed in those portions of the inspected audit work, and whether such deficiencies indicated defects or potential defects in the Firm's system of quality control over audit work. In addition, the inspection included a review of policies and procedures related to certain quality control processes of the Firm that could be expected to affect audit quality.

The Board is issuing this report in accordance with the requirements of the Act. The Board is releasing to the public Part I of the report and portions of Part IV of the report. Part IV of the report consists of the Firm's comments, if any, on a draft of the report. If the nonpublic portions of the report discuss criticisms of or potential defects in the firm's system of quality control, those discussions also could eventually be made public, but only to the extent the firm fails to address the criticisms to the Board's satisfaction within 12 months of the issuance of the report.

PROFILE OF THE FIRM[1]

Number of offices	7 (Bengaluru, Chennai, Coimbatore, Hyderabad, Madurai, and Visakhapatnam, Republic of India)
Ownership structure	Partnership
Number of partners	8
Number of professional staff[2]	75
Number of issuer audit clients	None at the outset of the inspection; however, the Firm had issued at least one audit report with respect to an issuer since the preceding inspection

[1] The information presented here is as understood by the inspection team, generally as of the outset of the inspection, based on the Firm's self-reporting and the inspection team's review of certain information. Additional information, including additional detail on audit reports issued by the Firm, is available in the Firm's filings with the Board, available at http://pcaobus.org/Registration/rasr/Pages/RASR_Search.aspx.

[2] The number of partners and professional staff is provided here as an indication of the size of the Firm, and does not necessarily represent the number of the Firm's professionals who participate in audits of issuers.

PART I

INSPECTION PROCEDURES AND CERTAIN OBSERVATIONS

Members of the Board's inspection staff ("the inspection team") conducted primary procedures for the inspection from April 7, 2014 to April 11, 2014.[3]

A. Review of Audit Engagement

The inspection procedures included a review of portions of one issuer audit performed by the Firm. The inspection team identified matters that it considered to be deficiencies in the performance of the work it reviewed.

The descriptions of the deficiencies in Part I.A of this report include, at the end of the description of each deficiency, references to specific paragraphs of the auditing standards that relate to those deficiencies. The text of those paragraphs is set forth in Appendix A to this report. The references in this sub-Part include only standards that primarily relate to the deficiencies; they do not present a comprehensive list of every auditing standard that applies to the deficiencies. Further, certain broadly applicable aspects of the auditing standards that may be relevant to a deficiency, such as provisions requiring due professional care, including the exercise of professional skepticism; the accumulation of sufficient appropriate audit evidence; and the performance of procedures that address risks, are not included in any references to the auditing standards in this sub-Part, unless the lack of compliance with these standards is the primary reason for the deficiency. These broadly applicable provisions are described in Part I.B of this report.

Certain of the deficiencies identified were of such significance that it appeared to the inspection team that the Firm, at the time it issued its audit report, had not obtained sufficient appropriate audit evidence to support its opinion that the financial statements were presented fairly, in all material respects, in accordance with the applicable

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[3] For this purpose, "primary procedures" include field work, other review of audit work papers, and the evaluation of the Firm's quality control policies and procedures through review of documentation and interviews of Firm personnel. Primary procedures do not include (1) inspection planning, which is performed prior to primary procedures, and (2) inspection follow-up procedures, wrap-up, analysis of results, and the preparation of the inspection report, which extend beyond the primary procedures.

financial reporting framework. In other words, in this audit, the auditor issued an opinion without satisfying its fundamental obligation to obtain reasonable assurance about whether the financial statements were free of material misstatement.

The fact that one or more deficiencies in an audit reach this level of significance does not necessarily indicate that the financial statements are misstated. It is often not possible for the inspection team, based only on the information available from the auditor, to reach a conclusion on those points.

Whether or not associated with a disclosed financial reporting misstatement, an auditor's failure to obtain the reasonable assurance that the auditor is required to obtain is a serious matter. It is a failure to accomplish the essential purpose of the audit, and it means that, based on the audit work performed, the audit opinion should not have been issued.[4]

The audit deficiencies that reached this level of significance are described below–

Issuer A

(1) the failure to perform sufficient procedures to test the valuation of assets acquired in a business combination (AU 328, paragraph .15); and

(2) the failure to perform sufficient procedures to evaluate the appropriateness of disclosures related to a business combination (AS No. 14, paragraph 31).

[4] Inclusion in an inspection report does not mean that the deficiency remained unaddressed after the inspection team brought it to the Firm's attention. Depending upon the circumstances, compliance with PCAOB standards may require the Firm to perform additional audit procedures, or to inform a client of the need for changes to its financial statements or reporting on internal control, or to take steps to prevent reliance on its previously expressed audit opinions. The Board expects that firms will comply with these standards, and the inspections staff may include in its procedures monitoring or assessing a firm's compliance.

B. Auditing Standards

Each deficiency described above could relate to several applicable provisions of the standards that govern the conduct of audit work, including both the paragraphs of the standards that are cited at the end of each description of the deficiency included in Part I.A of this report and one or more of the specific paragraphs discussed below.

Many audit deficiencies involve a lack of due professional care. AU 230, *Due Professional Care in the Performance of Work* ("AU 230"), paragraphs .02, .05, and .06, requires the independent auditor to plan and perform his or her work with due professional care and sets forth aspects of that requirement. AU 230, paragraphs .07 through .09, and Auditing Standard ("AS") No. 13, *The Auditor's Responses to the Risks of Material Misstatement* ("AS No. 13"), paragraph 7, specify that due professional care requires the exercise of professional skepticism. These standards state that professional skepticism is an attitude that includes a questioning mind and a critical assessment of the appropriateness and sufficiency of audit evidence.

AS No. 13, paragraphs 3, 5, and 8, requires the auditor to design and implement audit responses that address the risks of material misstatement, and AS No. 15, *Audit Evidence* ("AS No. 15"), paragraph 4, requires the auditor to plan and perform audit procedures to obtain sufficient appropriate audit evidence to provide a reasonable basis for the audit opinion. Sufficiency is the measure of the quantity of audit evidence, and the quantity needed is affected by the risk of material misstatement (in the audit of financial statements) and the quality of the audit evidence obtained. The appropriateness of evidence is measured by its quality; to be appropriate, evidence must be both relevant and reliable in support of the related conclusions.

The table below lists the specific auditing standards that are referenced for each deficiency included in Part I.A of this report. See the descriptions of the deficiencies in Part I.A for identification of the specific paragraphs, in addition to those noted above, that relate to the individual deficiencies.

PCAOB Auditing Standards	Issuer
AS No. 14, *Evaluating Audit Results*	A
AU 328, *Auditing Fair Value Measurements and Disclosures*	A

C. Information Concerning PCAOB Inspections Generally Applicable to Triennially Inspected Firms

Board inspections include reviews of certain portions of selected audit work performed by the inspected firm and reviews of certain aspects of the firm's quality control system. The inspections are designed to identify deficiencies in audit work and defects or potential defects in the firm's system of quality control related to the firm's audit work. The focus on deficiencies, defects, and potential defects necessarily carries through to reports on inspections and, accordingly, Board inspection reports are not intended to serve as balanced report cards or overall rating tools. Further, the inclusion in an inspection report of certain deficiencies, defects, and potential defects should not be construed as an indication that the Board has made any determination about other aspects of the inspected firm's systems, policies, procedures, practices, or conduct not included within the report.

C.1. Reviews of Audit Work

Inspections include reviews of portions of selected audits of financial statements and, where applicable, audits of internal control over financial reporting ("ICFR"). For these audit engagements, the inspection team selects certain portions of the engagements for inspection, and it reviews the engagement team's work papers and interviews engagement personnel regarding those portions. If the inspection team identifies a potential issue that it is unable to resolve through discussion with the firm and any review of additional work papers or other documentation, the inspection team ordinarily provides the firm with a written comment form on the matter and the firm is allowed the opportunity to provide a written response to the comment form. If the response does not resolve the inspection team's concerns, the matter is considered a deficiency and is evaluated for inclusion in the inspection report.

The inspection team selects the audit engagements, and the specific portions of those audit engagements, that it will review, and the inspected firm is not allowed an opportunity to limit or influence the selections. Audit deficiencies that the inspection team may identify include a firm's failure to identify, or to address appropriately, financial statement misstatements, including failures to comply with disclosure requirements,[5] as well as a firm's failures to perform, or to perform sufficiently, certain necessary audit procedures. The inspection may not involve the review of all of a firm's audit work, nor is it designed to identify every deficiency in the reviewed audit engagements. Accordingly, a Board inspection report should not be understood to provide any assurance that a firm's audit work, or the relevant issuers' financial statements or reporting on ICFR, are free of any deficiencies not specifically described in an inspection report.

In some cases, the conclusion that a firm did not perform a procedure may be based on the absence of documentation and the absence of persuasive other evidence, even if the firm claimed to have performed the procedure. AS No. 3, *Audit Documentation*, provides that, in various circumstances including PCAOB inspections, a firm that has not adequately documented that it performed a procedure, obtained evidence, or reached an appropriate conclusion, must demonstrate with persuasive other evidence that it did so, and that oral assertions and explanations alone do not constitute persuasive other evidence. In reaching its conclusions, the inspection team considers whether audit documentation or any persuasive other evidence that a firm might provide to the inspection team supports a firm's contention that it performed a procedure, obtained evidence, or reached an appropriate conclusion. In the case of every matter cited in the public portion of a final inspection report, the inspection team has carefully considered any contention by the firm that it did so but just did not document its work, and the inspection team has concluded that the available evidence does not support the contention that the firm sufficiently performed the necessary work.

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[5] When it comes to the Board's attention that an issuer's financial statements appear not to present fairly, in a material respect, the financial position, results of operations, or cash flows of the issuer in conformity with applicable accounting principles, the Board's practice is to report that information to the Securities and Exchange Commission ("SEC" or "the Commission"), which has jurisdiction to determine proper accounting in issuers' financial statements. Any description in this report of financial statement misstatements or failures to comply with SEC disclosure requirements should not be understood as an indication that the SEC has considered or made any determination regarding these issues unless otherwise expressly stated.

Identified deficiencies in the audit work that exceed a significance threshold (which is described in Part I.A of the inspection report) are summarized in the public portion of the inspection report.[6]

The Board cautions against extrapolating from the results presented in the public portion of a report to broader conclusions about the frequency of deficiencies throughout the firm's practice. Individual audit engagements and areas of inspection focus are most often selected on a risk-weighted basis and not randomly. Areas of focus vary among selected audit engagements, but often involve audit work on the most difficult or inherently uncertain areas of financial statements. Thus, the audit work is generally selected for inspection based on factors that, in the inspection team's view, heighten the possibility that auditing deficiencies are present, rather than through a process intended to identify a representative sample.

C.2. Review of a Firm's Quality Control System

QC 20, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice*, provides that an auditing firm has a responsibility to ensure that its personnel comply with the applicable professional standards. This standard specifies that a firm's system of quality control should encompass the following elements: (1) independence, integrity, and objectivity; (2) personnel management; (3) acceptance and continuance of issuer audit engagements; (4) engagement performance; and (5) monitoring.

The inspection team's assessment of a firm's quality control system is derived both from the results of its procedures specifically focused on the firm's quality control policies and procedures, and also from inferences that can be drawn from deficiencies in the performance of individual audit engagements. Audit deficiencies, whether alone or when aggregated, may indicate areas where a firm's system has failed to provide reasonable assurance of quality in the performance of audit work. Even deficiencies that do not result in an insufficiently supported audit opinion may indicate a defect or

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[6] The discussion in this report of any deficiency observed in a particular audit engagement reflects information reported to the Board by the inspection team and does not reflect any determination by the Board as to whether the Firm has engaged in any conduct for which it could be sanctioned through the Board's disciplinary process. In addition, any references in this report to violations or potential violations of law, rules, or professional standards are not a result of an adversarial adjudicative process and do not constitute conclusive findings for purposes of imposing legal liability.

potential defect in a firm's quality control system.[7] If identified deficiencies, when accumulated and evaluated, indicate defects or potential defects in the firm's system of quality control, the nonpublic portion of this report would include a discussion of those issues. When evaluating whether identified deficiencies in individual audit engagements indicate a defect or potential defect in a firm's system of quality control, the inspection team considers the nature, significance, and frequency of deficiencies;[8] related firm methodology, guidance, and practices; and possible root causes.

Inspections also include a review of certain of the firm's practices, policies, and processes related to audit quality, which constitute a part of the firm's quality control system. This review addresses practices, policies, and procedures concerning audit performance, training, compliance with independence standards, client acceptance and retention, and the establishment of policies and procedures.

END OF PART I

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[7] Not every audit deficiency suggests a defect or potential defect in a firm's quality control system.

[8] An evaluation of the frequency of a type of deficiency may include consideration of how often the inspection team reviewed audit work that presented the opportunity for similar deficiencies to occur. In some cases, even a type of deficiency that is observed infrequently in a particular inspection may, because of some combination of its nature, its significance, and the frequency with which it has been observed in previous inspections of the firm, be cause for concern about a quality control defect or potential defect.

PORTIONS OF THE REST OF THIS REPORT ARE NONPUBLIC AND ARE OMITTED FROM THIS PUBLIC DOCUMENT

PART II

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B. Issues Related to Quality Controls

The inspection of the Firm included consideration of aspects of the Firm's system of quality control.[9]

Design of Quality Control System * * * *

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Knowledge of Regulatory Requirements

The Firm's system of quality control appears not to provide sufficient assurance that the Firm has an appropriate understanding of basic, relevant regulatory requirements. The inspection team reported that the Firm was unaware that the SEC requires issuers to obtain a review of interim financial information by an independent accountant before the issuer files a quarterly report containing such information, and the Firm did not perform such quarterly reviews for the year under audit or for either of the two years immediately preceding the year under audit.[10] PCAOB standards cite that requirement in connection with setting out standards for the auditor's review of such information.[11] [Issuer A] In addition, the Firm does not have a system in place to ensure that professional staff assigned to issuer clients receive periodic technical training related to GAAP, PCAOB standards, and SEC reporting requirements, rules, and regulations.

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9 This report's description of quality control issues is based on the inspection team's observations during the primary inspection procedures. Any changes or improvements that the Firm may have made in its system of quality control since that time may not be reflected in this report, but will be taken into account by the Board during the 12-month remediation process following the issuance of this report.

10 The SEC requirement, as it applies to smaller reporting companies such as Issuer A, is included in Rule 8-03 of Regulation S-X, 17 C.F.R. § 210.8-03.

11 <u>See</u> paragraph .03 of AU 722, *Interim Financial Information*.

Audit Performance

A firm's system of quality control should provide reasonable assurance that the work performed on an audit engagement will meet applicable professional standards and regulatory requirements. On the basis of the information reported by the inspection team, including the audit performance deficiencies described in Part II.A (and summarized in Part I.A) and any other deficiencies identified below, the Board has concerns that the Firm's system of quality control fails to provide such reasonable assurance in at least the following respects –

Testing Appropriate to the Audit

The Firm's system of quality control appears not to provide sufficient assurance that the Firm will conduct all testing appropriate to particular audit work, specifically with respect to the following issues:

Valuation of Assets Acquired

As discussed above, in the audit reviewed, the inspection team identified a significant deficiency related to the Firm's auditing of the valuation of assets acquired. This information provides cause for concern regarding the Firm's quality control policies and procedures related to auditing the valuation of assets acquired in a business combination. [Issuer A]

Disclosures Related to a Business Combination

As discussed above, in the audit reviewed, the inspection team identified a significant deficiency related to the Firm's auditing of disclosures related to a business combination. This information provides cause for concern regarding the Firm's quality control policies and procedures related to auditing business combination disclosures. [Issuer A]

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Engagement Quality Review

In light of the audit performance deficiencies described in Part II.A (and summarized in Part I.A), questions exist about the effectiveness of the Firm's system of quality control with respect to the execution of engagement quality reviews in compliance with AS No. 7, *Engagement Quality Review* ("AS No. 7"). An engagement quality review performed with due care in compliance with AS No. 7 should have detected, and resulted in the Firm addressing, each of the deficiencies described in Part II.A. [Issuer A]

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PART IV

RESPONSE OF THE FIRM TO DRAFT INSPECTION REPORT

Pursuant to section 104(f) of the Act, 15 U.S.C. § 7214(f), and PCAOB Rule 4007(a), the Firm provided a written response to a draft of this report. Pursuant to section 104(f) of the Act and PCAOB Rule 4007(b), the Firm's response, minus any portion granted confidential treatment, is attached hereto and made part of this final inspection report.[12]

[12] The Board does not make public any of a firm's comments that address a nonpublic portion of the report unless a firm specifically requests otherwise. In some cases, the result may be that none of a firm's response is made publicly available. In addition, pursuant to section 104(f) of the Act, 15 U.S.C. § 7214(f), and PCAOB Rule 4007(b), if a firm requests, and the Board grants, confidential treatment for any of the firm's comments on a draft report, the Board does not include those comments in the final report at all. The Board routinely grants confidential treatment, if requested, for any portion of a firm's response that addresses any point in the draft that the Board omits from, or any inaccurate statement in the draft that the Board corrects in, the final report.

Yoganandh & Ram
Chartered Accountants

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Mr Helen A.Munter,
Director,
Division of Registration and Inspections,
1666, K Street, N.W.
Washington, DC 20006.

22nd May 2015

Dear Mr Munter,

Re : Our response to PCAOB Inspection Report 2014 of our firm YOGANANDH & RAM (Y&R)

We thank you for giving us an opportunity to respond to the Draft Inspection Report of PCAOB dated **May 6, 2015**, received by us on **May 11, 2015**, on inspection of our firm Y&R.

Our firm has benefitted by PCAOB's Inspection Report which, we believe, would help us a great deal to guide us in 'Course Correction' in our practice.

Y&R has taken steps right earnest and appropriate actions to address the deficiencies identified by PCAOB's Inspection Report.

We at Y&R are committed to fix all the issues, comments, deficiencies identified in PCAOB's Inspection Report and shall spare no effort to achieve the desired results.

Thanking You

Yours truly,

N.Sridhar
Partner : Yoganandh & Ram,
Chennai, India.
22nd May 2015

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Mr Helen A.Munter,
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Division of Registration and Inspections,
1666, K Street, N.W.
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22nd May 2015

Dear Mr Munter,

Re : Our response to PCAOB Inspection Report 2014 of our firm YOGANANDH & RAM (Y&R) – Non Public Portion

Following is our response with respect to the issues related to Quality Control criticisms as detailed in the non public portion of the PCAOB Draft report :

REDACTED. Comments on Non-public Aspects of Report

B) **Knowledge of Regulatory Requirements**

PCAOB in its draft report dated May 6, 2015 has commented that Firm was unaware that the SEC requires issuers to obtain a review of interim financial information by an independent accountant before the issuer files a quarterly report containing such information and the firm did not perform such quarterly reviews for the year under audit or for either of the two years immediately preceding the year under audit.

We at Y&R wish to submit the following in this respect:

1) We are of the opinion that the onus for the review of the Interim Financial Statements as per SEC regulations lies with the Issuer and as such, we were not mandated to conduct review of the Interim Financial Information filed by the issuer, as per Letters of Engagement issued for Fiscal 2010,2011 and 2012 , shared with the PCAOB inspection team.
2) As part of its audit of the Financial Statements for each of the Fiscal 2010, 2011 and 2012 the firm studied and analyzed the information contained in 10Q filed by the issuer to draw information required towards the audit planning and execution.
3) On the comment on failure to comply with the PCAOB Auditing Standard 7, we wish to submit that since the review of the interim financial statements was not mandated by the Issuer to us and hence not carried out by the firm for the Fiscal 2010, 2011 and 2012, the question of Engagement Quality Review of Interim Financial Statements does not arise.

4) On the comment that our does not have a system in place to ensure that professional staff assigned to issuer clients receive periodic technical training related to GAAP, PCAOB Standards and SEC reporting requirements, rules and regulations.

   As documented in **Exhibit A** to the Inspection questionnaire, we at Y&R wish to submit the following:

   a. Y&R organized a 3 day certificate training program in February 2012 on USGAAP, conducted by a coveted institute. All Partners involved in USGAAP Audit attended the said training and a Certificate of Participation to this effect was shared with the PCAOB Inspection Team during their visit in April 2014. The Topics covered were USGAAP Standards, PCAOB Standards and SEC Filing requirements.

b. Y&R through its Quality Control Manual ensures that all the Partners involved in USGAAP Audit compulsorily undergo training for a minimum of 24 hours during a Calendar Year.

c. Additionally , to ensure that the whole engagement team has adequate technical training and proficiency the following actions are taken :

   i) Daily updates and recent developments in USGAAP, SEC, PCAOB and AICPA are collated from the ARM (Accounting Research Manager) website, Accounting Today, Internal Audit and discussed at Partners level and issues that are significant to the issuer client are discussed at length and shared with the engagement team.

   ii) Periodical updates relevant to the issuer clients are discussed and disseminated from "Accounting TODAY" the Institute of Internal Auditors.

   iii) Practice Tool – AICPA Audit and Accounting Manual is referred and matters arising on issuer client are discussed.

C) <u>Testing appropriate to the Audit – Valuation of Assets acquired</u>

PCAOB in its draft report dated May 6, 2015 has commented that the Firm failed to perform sufficient procedures to test the valuation of assets acquired in the business combination. Specifically, for the acquisition date valuation of certain property and equipment assets acquired, the firm failed to evaluate whether the reported fair value measurements were in conformity with GAAP.

We at Y&R wish to submit the following in this respect:

1) The Issuer consummated the acquisition of its subsidiary in China on the 30th December 2011.
2) During the three months from January 2011 to March 2011, due to extreme and hostile climate at the factory site of the subsidiary at Inner Mongolia, PRC, which housed majority of its assets, the issuer could not get the same valued by an external valuation agency to arrive at the fair value of the assets.
3) The issuer was in the process of getting the assets valued at the time of issue of its Annual Report in Form 10K and hence the requisite disclosure to this effect formed part of the footnote disclosure on the acquisition.

4) Given the nature of extreme hardship under subzero conditions for undertaking fair valuation and the fact that the assets of the subsidiary mainly consist of Machineries, Furniture and Office equipment and that the subsidiary doesn't own any Land , the engagement team took a practical view and chose to consider the book value of the assets to be the best estimate of fair value for the assets.

D) <u>Testing appropriate to the Audit –Disclosures related to Business Combination</u>

PCAOB in its draft report dated May 6, 2015 has commented that the firm failed to identify the departure from GAAP related to omitted disclosures required as per Financial Accounting Standards Board –Accounting Standards Codification Topic 805, Business Combinations and failed to evaluate the significance of the departure to the issuers financial statements.

We at Y&R wish to submit the following in this respect:

1) The issuer has disclosed the revenue and earnings of the Acquiree since the acquisition date included in the consolidated income statement for the reporting period, as part of the Footnote disclosure with respect to the Acquisition. Further, the Acquiree didn't have any operations during the months of January 2012 to March 2012, owing to extreme and hostile climatic conditions in Inner Mongolia, PRC and thus the revenue earned till December 2011 remained the same for the Fiscal ended March 2012.

REDACTED. Comments on Non-public Aspects of Report

REDACTED. Comments on Non-public Aspects of Report

F) <u>Engagement Quality Review</u>

PCAOB in its draft report dated May 6, 2015 has commented that questions exist about the effectiveness of the Firm's system of quality control with respect to execution of engagement quality reviews in compliance with PCAOB Auditing Standard No 7 "Engagement Quality Review", as the deficiencies discussed in Part II.A of the Draft Report should have been detected and resulted in the Firm addressing each of the deficiencies as part of its Engagement Quality Review.

We at Y&R wish to submit the following in this respect :

1) A complete engagement quality review was conducted on the issuer audit for Fiscal 2012 , as per PCAOB Auditing Standard 7.
2) Issues discussed in Part II.A of the Draft report issued by PCAOB were reviewed as part of the Engagement Quality Review process.
3) As we have detailed in Para "C","D"& "E" above, audit conclusions were drawn in concurrence with the Engagement Quality Review Partner in each of the matters described in Para "C","D" & "E" above and thus the review was effectively conducted.

We at Y&R are confident of carrying out all the necessary improvements in the policies and procedures with regard to Quality and other issues with particular reference to the deficiencies pointed out in the PCAOB Inspection Report and would fully comply with the requirements of the USGAAP, SEC and PCAOB Standards. We wish to affirm that no effort will be spared towards achieving the said goal within the time frame of twelve months as stipulated by the Board.

Thanking You

Yours truly,

N.Sridhar
Partner : Yoganandh & Ram,
Chennai, India.
22nd May 2015

APPENDIX A

AUDITING STANDARDS REFERENCED IN PART I

This Appendix provides the text of the auditing standard paragraphs that are referenced in Part I.A of this report. Footnotes that are included in this Appendix, and any other Notes, are from the original auditing standards that are referenced. While this Appendix contains the specific portions of the relevant standards cited with respect to the deficiencies in Part I.A of this report, other portions of the standards (including those described in Part I.B of this report) may provide additional context, descriptions, related requirements, or explanations; the complete standards are available on the PCAOB's website at http://pcaobus.org/STANDARDS/Pages/default.aspx.

AS No. 14, *Evaluating Audit Results*		
EVALUATING THE RESULTS OF THE AUDIT OF FINANCIAL STATEMENTS		
Evaluating the Presentation of the Financial Statements, Including the Disclosures		
AS No. 14.31	As part of the evaluation of the presentation of the financial statements, the auditor should evaluate whether the financial statements contain the information essential for a fair presentation of the financial statements in conformity with the applicable financial reporting framework. Evaluation of the information disclosed in the financial statements includes consideration of the form, arrangement, and content of the financial statements (including the accompanying notes), encompassing matters such as the terminology used, the amount of detail given, the classification of items in the statements, and the bases of amounts set forth. Note: According to AU sec. 508, if the financial statements, including the accompanying notes, fail to disclose information that is required by the applicable financial reporting framework, the auditor should express a qualified or adverse opinion and should provide the information in the report, if practicable, unless its omission from the report is recognized as appropriate by a specific auditing standard.[18/]	Issuer A
Footnote to AS No. 14.31 [18/] AU secs. 508.41-.44.		

AU 328, *Auditing Fair Value Measurements and Disclosures*		
Evaluating Conformity of Fair Value Measurements and Disclosures with GAAP		
AU 328.15	The auditor should evaluate whether the fair value measurements and disclosures in the financial statements are in conformity with GAAP. The auditor's understanding of the requirements of GAAP and knowledge of the business and industry, together with the results of other audit procedures, are used to evaluate the accounting for assets or liabilities requiring fair value measurements, and the disclosures about the basis for the fair value measurements and significant uncertainties related thereto.	Issuer A