Date: 09th November 2022

Manager Listing Department/ Department of Corporate Relations **BSE Limited** Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai- 400001 Scrip Code: 533344	General Manager **National Stock Exchange of India Limited** Exchange Plaza, C-1, Block G, Bandra- Kurla Complex, Bandra (East), Mumbai- 400051 Scrip Code: PFS

Sir/ Madam,

Sub: Intimation under Regulation 30 of the SEBI (Listing obligations and disclosure requirements) Regulation, 2015 (Listing regulations)

In continuation of our earlier disclosure dated 7th November, 2022 in relation to Forensic Audit, may please find attached the following documents:

1. PFS Management Response
2. Remarks issued by Ernst &Young LLP (independent advisors to the management in relation to the forensic audit)
3. Forensic Audit Report issued by CNK

Sensitive confidential information has been redacted in terms of the applicable FAQs of Forensic Audit.

This is for your information and records.

For PTC India Financial Services Limited

(Mohit Seth)
Company Secretary

PFS Management Response on CNK Final Forensic Audit Report

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PFS Management Response on CNK Final Forensic Audit Report on

Appointment, Scope, Challenges faced, Limitations, Disclaimer and Chronology of Events

PFS Management Response on Final Report provided by forensic auditor – Appointment, Scope, Challenges faced and limitations, Disclaimer and Chronology of events

Section	CNK's Observations	Management's Response
Appointment	Based on the communication dated 26th April 2022 and the announcement by the company to the stock exchanges on 27th April 2022, the Company has appointed C N K & Associates LLP, (hereinafter referred to as "CNK") for carrying out a Forensic Assignment vide letter dated May 27, 2022 as per the scope mentioned therein and referred to herein after.	The engagement letter was executed between PFS and CNK on 19th July 2022. The onsite audit commenced on 18th July 2022.
Scope	The forensic audit emanated from the issues raised by the resignation of the 3 Independent Directors vide their letters dated 19 January 2022. The matters raised by these Independent Directors included: • Loan related matters; • Matters related to appointment of Mr. Ratnesh as CFO; • Other Corporate Governance matters For the Loan related matters, the Forensic Audit was to be focused on the following: Review of stressed assets (including all Stage 2 which are overdue) and Stage 3 loan accounts, including those which have been written off during the period 1st April 2019 to 31st March 20222:	The forensic audit assignment was executed vide a Engagement letter executed by PFS on 19th July 2022. The scope of forensic audit is defined in Clause 3 of the EL. The audit period is defined in executed engagement letter to CNK as **1st April 2019 to 31st March 2022.**
	▪ Review of Electronically Stored Information (ESI), including email communications and documentation in relation of the loan facilities to ascertain any non-disclosure of relevant information (including information which is incorrect on financial reporting, loan recovery process and in relation to any fraud established through forensic audit report on any particular account) to the Audit Committee / Board which will have Material Impact;	No such events having a **"Material Impact"** is identified or reported by the forensic auditor in its final report.
	▪ Assess and report about implications of such missing information, if any identified, on recovery process and financial reporting of the Company for the stated period;	No instance of any missing information having a **"Material Impact"** is identified or reported by the forensic auditor in the its final report.

Section	CNK's Observations	Management's Response
	▪ On a sample basis, review sample of minimum 10% of total sanctions/ disbursements that took place during the Review Period; Note: The above sample size may be increased on the basis of the adverse results of review of selected samples sanctions/disbursements.	The sample size was increased on multiple occasions, however no adverse results based on review of selected samples was informed to PFS. Management has provided information for all loan accounts selected as sample as and when requested.by Forensic Auditor.
	▪ Review of the board's approved terms as mentioned in sanction letter (including any amendments of sanctions) and those mentioned in the loan agreement w.r.t compliance of conditions related to pre-disbursement conditions having Material Impact (including charge creation before disbursement), in the agreements signed with respective borrowers. Report instances of gaps or differences, if any;	No such events having a **"Material Impact"** is identified or reported by the forensic auditor in its final report.
	▪ Review of relevant Electronically Stored Information (ESI) including email communications, loan related documents, other documents, and data to ascertain the veracity of the issues raised by the Independent Directors of the Company in resignation letter/s dated 19th January 2022 having material impact on the company.	No such events having a **"Material Impact"** is identified or reported by the forensic auditor in its final report.
	"Material Impact" means any event which result in material adverse impact on financial position on the accounts of PFS and performed with sole motive of malafide intention / fraud wherein any such critical information was not disclosed to Audit Committee or Board and is in contravention of PFS policies or directions of the Board or statutory requirement, having significant impact on decision making related to such project /proposal.	The material impact is specifically defined in the engagement letter. The assessment of material impact is key part of the forensic audit as per the terms agreed in the engagement letter to determine any material adverse impact on the financial position of PFS and performed with sole motive of malafide intention / fraud. **Accordingly, in terms of the engagement letter, the forensic auditor is required to quantify the material impact, if any, otherwise it should be mentioned that the impact of observations is not material.**

Section	CNK's Observations	Management's Response
Challenges faced and limitations	A major challenge was the nature of the allegations and the manner of conduct of the assignment itself – where the data to be provided for our verification was to be by the same team against whom there were allegations by the independent directors who had resigned. Ideally, the set of persons from the company against whom there were allegations should not have been involved in the process	As mentioned in the chronology of events in the draft report by CNK, there were various meetings and discussions between CNK and PFS to finalize the scope of work for the assignment. These discussions happened after the email to CNK b[redacted] Chairman Audit Committee of PFS dated 26th April 2022, acceptance email sent by CNK on 27th April 2022 to Sh. Jayant Gokhale, Chairman and intimation by Ex-Company Secretary to stock exchanges on instructions from [redacted] Chairman. The entire discussions to finalize the scope of work were done with the same team who had provided the information / documents for forensic audit and the scope of work was finalized with the same team. **It is against the professional standards to raise this issue at later stage when this was known even before the start of work or finalization of scope of work. PFS team has provided the information as sought by CNK from time to time, extended full co-operation and CNK is now raising this as a limitation. CNK was required to hold weekly meetings with the Management and report on progress, which were not held. CNK was invited by the Board and thus had the opportunity to attend the Board meeting of PFS twice and present their views; however, they chose not to attend the board meeting.**
	Some of the challenges faced / limitations are given below – our final report are to be read along with the below observations : a) There was resistance and non-cooperation in providing information from the very beginning. Also, soft copies of the required documents and minutes, etc. were not provided initially for a few weeks, making the team's job time consuming in reading through the lengthy minute books, etc. and making notes of points for the reports. Further, though access to the company's system was provided in the initial 1-	The forensic audit was required to be done onsite and accordingly, PFS provided the necessary infrastructure to CNK team – laptops, printer, access to PFS system, etc. on first day of audit itself. The information was made available to CNK team for their review, notes, extracts etc. Even if provided in soft copy, it would not have reduced the time taken for reading through the lengthy minute books. There were no restrictions made by PFS on takings extracts from the minutes. It may be noted that despite PFS explicit reservations about CNK taking price sensitive data on their system, CNK had taken the price sensitive information outside PFS system

Section	CNK's Observations	Management's Response
	2 weeks, our team was not allowed to take any extracts from the minutes, which may have been relevant for our reporting. It was only after some pressure from us and, as we understand, from the regulators, that soft copies of the minutes were made available.	to CNK system. It is also incorrect to say that there was any pressure from the regulators for providing soft copies
	b) The information provided was incomplete and given in physical form (not electronic), with serious gaps in some critical data. To Illustrate, we could not find in the selected Loan files, some minutes of meetings, reports on various related matters (commissioned by the company or the holding company or external agencies). This delayed the process since CNK had to first identify those gaps (from email trails, other documents which had a reference to the same, etc.), and then call for related documents / reports.	Full information as requested by CNK was provided by PFS. CNK team has not provided any instance of incomplete information provided by PFS. CNK was conducting an audit and it was its job to go through all documents to identify required information. The PFS team could not have anticipated CNK's requirements. The information requests were received from time to time in multiple tranches. The information / documents are maintained in PFS by respective functions - minutes are maintained by secretarial function, reports pertaining to borrower accounts are maintained by monitoring function, disbursements are managed and maintained by disbursement function. All the functions manage information pertaining to their respective function and the loan related files from all functions were made available to CNK for the loan accounts sample selected by them. PFS has not caused any such delay.
	c) There has been further resistance in providing certain documents/reports, and in some cases, the existence of such reports has been repeatedly denied. To illustrate, in minutes of meeting of the Audit Committee dated 30th July 2021, there is a reference to a report on HR related matters by PWC which was presented at that meeting. The ex-CS, in our meeting with him at PFS office in presence of a PFS representative, also confirmed that such a report was available. However, the management has not yet provided such report, and in fact, denies the existence of such report in PFS	There has been no resistance by PFS in providing documents / reports. There is no report by [redacted] on HR matters available with PFS. It is to be mentioned that earlier (in preliminary findings) CNK has stated 30 July 2021 for reference of availability of PWC report in which, as per CNK understanding, the report contains the matter related to appointment [redacted], whereas the selection for appointment of directors was taken up for the first time by NRC in its meeting held on 28 August 2021. It is one of the many examples in which CNK has perhaps misunderstood the factual position. It is further to mention that Pst (entire emails) of emails of Ex-CS, [redacted]

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	d) Access to the following crucial information, which, in our opinion, was necessary for the conduct of the assignment, has been denied to us, in spite of our specific requests:	[redacted] and MD & CEO has been provided to CNK team for their review.
	i. Details of the payments made through corporate cards (though the company ha given email that no transaction was above Rs. 5 Lakhs during the period – however no data was provided for verification) , approvals and adherence to policy for major expenses like payments to consultants, business promotion, travelling, etc. for the period 1st April 2019 to 30th June 2022, review of which is essential from the perspective of corporate governance	The payments through corporate cards, approvals and adherence to policy for major expenses like payments to consultants, business promotion, travelling, etc are not covered as part of the scope of executed engagement letter. Further, period of audit is defined as 1st April 2019 to 31st March 2022. Further CNK vide its email dated 17th September 2022 clarified that major expenses means Rs. **5,00,000/- or above per event / contract**. PFS vide email dated 4th October 2022 clarified to CNK that **PFS did not observe any transaction of Rs 5 lakh or more during the period 1st April 2019 till 31st March 2022.**. CNK requested PFS to provide transactions above Rs.5.0 lakhs whereas there is no such transaction and hence there is no data for verification of such transactions.
	ii. Report of PWC on HR related matters as per internal discussion in Audit Committee meeting dated 30th July 2021, as referred to above;	As mentioned above, there is no report by [redacted] on HR matters available with PFS. It is to be mentioned that earlier (in preliminary finings) CNK has stated 30 July 2021 for reference of availability of PWC report in which, as per CNK understanding, the report contains the matter related to appointment of [redacted] whereas the selection for appointment of directors was taken up for the first time by NRC in its meeting held on 28 August 2021. It is one of the example how CNK appears to have misunderstood the factual position. It is further to mention that Pst (entire emails) of emails of Ex-CS, [redacted] and MD & CEO has been provided to CNK team for their review. However, they have not made any comment on their findings of the review of these mails.
	iii. Sequence of the event of appointment / reappointment / promotion of persons for position of M3 and above	All the minutes of meetings of Board, audit committee and NRC for the period 1st April 2019 to 31st March 2022, with sequence of events for appointment / reappointment / promotion of persons for

Section	CNK's Observations	Management's Response
	– including copy of the agenda / minutes of the Board / NRC with proper Listing for the period 1st April 2018 to 30th June 2022, which is essential for review of HR related governance matters	directors, KMP and one level below the Board for the audit period have been made available to CNK. Appointment / reappointment / promotion of persons for position of M3 **(employees / not KMP and one level below Board)** is not covered as part of the scope of executed engagement letter.
	iv. Agenda and Minutes for Board and other Committee meetings held from April 2022 to date.	Agenda and minutes for Board and other committees have been made available for the period 1st April 2019 to 31st March 2022 **i.e. audit period as per the executed engagement letter.**
	e) Another limitation was that the company constantly kept on insisting that documents / reports/ information beyond the period from 1st April 2019 to 31st March 2022 was outside the scope. Such information sought for by CNK was not roving in nature and was very selective to have a proper understanding of the sequence of events and compliance of the processes and regulations for the selected samples.	As per the EL, The Review Period is 01st April 2019 to 31st March 2022 and therefore, review of documents outside review period was out of scope. CNK team had not provided any justification for seeking information beyond the audit period ie 1st April 2019 to 31st March 2022. The information for selected loan accounts was provided for the entire life cycle of loan. The same was provided for period dating as early as 2009-10 for loan accounts. PFS team highlighted the agreed timelines as per engagement letter, to seek draft findings / report from CNK. CNK was required to do discussion on findings on a weekly basis, which were never held. CNK have also not ensured confidentiality of information obtained from PFS and marked an email to RBI containing information about PFS and provided unauthorized access of pst of Ex-CS [redacted] who is an outsider as on the date of review.
	f) There was also tremendous pressure put on the timeline of '4-6 weeks' as mentioned in the EL. CNK was pointing out time and again that the terms of the EL clearly indicated that the said timelines would need to be reckoned from the time complete information was provided by the company. In case the delays in providing information and data in electronic form is taken into account, the timelines are as per the EL;	Before taking the assignment CNK confirmed that they will provide their report within 3 weeks from the date of initial requirement list. PFS team highlighted the agreed timelines as per engagement letter, to seek draft findings / report from CNK. CNK was required to do discussion on findings on a weekly basis, which were never held. CNK has shown complete disregard of the engagement letter and engagement terms rather, after 6 weeks from the start of audit, they

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	g) A confirmation, signed by a senior official of PFS, that was repeatedly sought by CNK from PFS that all information on the selected samples and areas of verification had been provided by the company has not been forthcoming. There is only a general email from the 'PFS Forensic Audit Team' and from a common email id, that all information has been provided. On our repeated request this email was signed by 5 officials of the company (and not by the MD & CEO) and a scan copy send to us. In our view , this does not suffice to confirm the completeness of the information provided.	informed PFS that the timelines and scope mentioned in the engagement letter was indicative only. They have also not ensured confidentiality of information obtained from PFS and marked an email to RBI containing information about PFS and provided unauthorized access of pst of Ex-C[redacted]who is an outsider as on the date of review. It must be noted here that the Audit Committee has refused to finalize the accounts of PFS for Q4 and FY 22 for want of the Forensic Audit report. There is also enormous pressure from lenders, investors, rating agencies and other stakeholders to finalize these accounts. This default has impacted the Company's credit rating, public image, confidence of investors, growth of business and put it at risk of fines and regulatory repercussions. Hence the team supporting CNK has been urging them to adhere to the contracted scope and time lines. The Email Id "Forensic Audit" represents the committee of senior officials of the company authorized to coordinate with forensic auditor. It may be mentioned that during the course of forensic audit CNK team has communicated and coordinated with PFS (including submission of findings and draft report) through this email id only. As per section 10 A of Information Technology Act 2000 and The Indian Evidence Act 1872, email is a valid legal document. On request the email was also signed under stamp of company (On behalf) by 5 senior officials of the company.
Disclaimer	1. This report has been prepared based on the records, data and information provided to us and relevant provisions of the applicable statutes; 2. This report is for internal use or circulation to the Management, the Board, its Committees and Regulators;	CNK has made a false statement as CNK has itself mentioned in the chronology that the EY engagement was mentioned by Chairman of PFS in the board meeting of 11th October 2022. *PFS prepared a detailed response to each of CNK's preliminary findings, clarifying the numerous factual and*

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	Inspite of the fact that the preliminary findings carried a similar restriction of not sharing the same with any outsiders, the company had, in breach of said confidentiality and without CNK concurrence , appointed an external consultant (EY) in August 2022 to assist the company to respond to the preliminary findings. This was highly irregular and unprofessional – both on behalf of the company and the said consultant. The company also never informed us of the same – we became aware of the same during the deliberations at the Audit Committee on 15 October 2022 which we invited to. 3. Possession of this report, or a copy thereof, does not carry with it the right of publication of all or part of it nor may it be used for any other purpose, without the written consent of CNK; 4. No changes to any item in this report shall be made by anyone other than CNK. CNK shall not be responsible for any such unauthorised change.	*conceptual errors as well as refuting the unsubstantiated comments. The EY engagement was necessitated because multiple observations of CNK had similar/identical infirmities and required ~~corrections/clarification/~~contextualization.* *PFS is an independent company and reserve the right to appoint any firm or consultant to assist it. PFS appointed the forensic team of [redacted]which is a globally reputed consulting firm and the leading forensic auditor in India. PFS engaged [redacted]to review PFS's responses and provide an independent view on CNK's observations and PFS's responses. Accordingly, [redacted]ave their comments after reviewing the PFS responses along with all supporting documents.*

Chronology of Events

Chronology of events for Forensic Audit of PTC India Financial Services Limited (PFS)

Date	Events	Management's Response
26 April 2022	Email from [redacted] Chairman, Audit Committee PFS informing CNK & Associates LLP (CNK) about the appointment as Forensic Auditors (draft scope was also enclosed)	-
27 April 2022	Email confirmation from CNK accepting the appointment	-
27 April 2022	Intimation by PFS to Stock Exchanges about our appointment	-
05 May 2022	Email to CS, PFS by CNK asking for next steps to commence the verification, SPOC, etc.	-
06 May 2022	Email communication from PFS to CNK seeking guidance for indicative scope of work	Online meeting held between CNK and PFS to discuss the way forward. After meeting, emails were written to CNK with request for guidance on how to proceed further with indicative scope of work.
07 May 2022	Response shared by CNK to PFS email for providing clarity on scope of work.	CNK responded PFS with draft scope of work sent to them by PFS Audit Committee Chairman and seek time for 15th May 2022 **to meet PFS senior management** to finalize the scope and timeline.
10 May 2022		CNK email to PFS **to meet PFS senior management** on either 17th May 2022 or 18th May 2022
13 May 2022		CNK email confirming meeting on 18th May 2022 at 12 PM **with PFS senior Management.**
18 May 2022	Meeting held between partner, CNK [redacted] and PFS representatives at PFS office, Delhi	Meeting held between partner, CNK [redacted] and **PFS senior management** at PFS office, Delhi

Date	Events	Management's Response
19 May 2022	Draft scope of work received from PFS	PFS email for draft scope of work in line with discussion with CNK during meeting with **PFS Management** in PFS office.
20 May 2022	Draft engagement letter (EL) shared with PFS	CNK mail for draft engagement letter including scope of work and other terms of engagement. **The email was addressed to same set of management / PFS team who facilitate the forensic audit.**
24 May 2022		CNK email confirming draft EL and mentioning, "***the draft EL are ok except for the timelines. Though we will try to deliver a draft report within 3 weeks, would like to keep the same as 4-5 weeks (instead of 4-6 weeks). The start date would also be the date the team visits PFS office for actual verification***"
26 May 2022	Letter of Intent (LOI) issued by PFS	Letter of Intent (LOI) issued by PFS and acknowledged by CNK
27 May 2022	Signed EL and Initial List of Requirements (LOR) sent to PFS	**CNK signed EL and Initial List of Requirements (LOR) sent to PFS** **In the email it is mentioned that "*though the timelines have been kept at 4-6 weeks we shall endeavour to issue the draft report within 3-4 weeks of the receipt of information as per initial list of requirements (LOR)*"**
30 May 2022	Initial requirement list and draft copy of NDA shared by CNK	-
31 May 2022	Invoice for advance as per EL sent to PFS	-
01 June 2022	Amount received against advance from PFS	-
02 June 2022	Proposed audit commencement date informed to PFS and bookings done from 06-09 June 2022 – follow up on LOR also done	CNK email informing that they are starting on-site audit for conducting Forensic Assignment from **06-06-2022 to 09-06-2022. It may be extended for few days if required**. CNK further requested to make the necessary arrangements.
02 June 2022	Response received from PFS stating that they are in process of compilation of data and would require at least 2-3 days	PFS email stating that the company is in process of compilation of information as per checklist provided. The process may take some time, at least 2-3 days more. The company will immediately respond to CNK once compilation work will be completed with requisite information and accordingly will fix up the date for start of audit assignment. In the meantime CNK requested to provide confirmation for

Date	Events	Management's Response
		NDA provided so as to take requisite approval internally for execution. PFS need to execute NDA before start of the audit work.
09 June 2022	-	PFS received complaint from shareholders regarding the non-transparent process of appointment of CNK as forensic auditor and CNK's relationship with an Ex-ID whose allegations is to be investigated by forensic auditor. The complaint is accompanied with supporting documents.
06 June 2022	No further response received and trip to PFS office for verification cancelled	Suo-moto action by CNK since PFS had not executed engagement letter till this date and no date was communicated to CNK for start the audit.
08 June 2022		PFS received complaint against CNK from another shareholder with request to cancel CNK appointment on the basis of following factors: 1) No competitive bidding / no price discovery – negotiation 2) Non empanelment of CNK with SEBI 3) CNK is conflicted and is not independent and has association with Ex-IDs 4) Violation of corporate governance norms 5) Lack of transparency in appointment of CNK 6) Illegal appointment 7) Violation of ethic, transparency and against minority shareholders 8) Blatant use of power 9) Corrupt appointment
13 June 2022	Follow up email from CNK to PFS for availability of data and confirmation for commencement of onsite verification	CNK email to PFS team **(addressed to same management / PFS team)** inquiring audit commencement. In the email **CNK reiterated that they intended to complete the verification and issue a draft report in 3 – 4 weeks on receipt of initial requirement information.** Email was also marked to then CS, [redacted] (Left PFS in June 2022) for regulatory fillings (if any) and to the Audit Committee Chairman Mr. [redacted] for his information and follow-up
29 June 2022	Further follow up email from CNK to PFS for commencement of onsite verification	-

Date	Events	Management's Response
30 June 2022	Response from PFS stating that they are awaiting internal clearances for commencement of onsite audit	**PFS email that team is awaiting for internal clearances, will come back in due course.**
07 July 2022	Email received from PFS regarding complaint received from a shareholder for appointment of CNK as forensic auditors	PFS forwarded complaint against CNK received from shareholders, to CNK with request to provide CNK views/comments.
11 July 2022	Response provided by CNK to PFS on the complaint received	-
14 July 2022	Call from PFS for immediate commencement of audit	-
15 July 2022	Email from CNK for confirmation of audit commencement from 18th July 2022 and sending of LOR again	CNK email received with request to "*make arrangements for the Virtual Data Room where the details can be secured and shared with CNK. This enables on-line verification of some basic data. Please also send the Letter of Engagement duly signed and acknowledged from the company......... as part of the process, **we may seek discussion with the senior management** (including that at PTC) and the audit committee*"
18 July 2022	Audit commencement onsite by CNK team members	CNK commenced onsite audit at PFS office premises
18 July 2022		PFS **created a virtual data room in its system as per CNK email dated 15th July 2022 and three PFS Laptops were provided to CNK team for access to data requested from data folders.** PFS further complied with initial 18 line item requirement sent by CNK.
18 July 2022	Additional requirement list 1 sent by CNK to PFS	27 Additional line items requested by CNK, which were compiled by PFS in due course.
19 July 2022	Draft NDA with modifications received from PFS	PFS accepted the NDA format except the changes suggested by CNK office in clause 6 & 9 to restrict the claim due to breach of agreement to 100% of fees whereas it is to be linked to actual loss to PFS.
19 July 2022	EL signed by PFS shared with CNK along with covering letter with additional conditions	PFS executed the Engagement letter stating that PFS letter dated 18th July 2022 will become integral part of engagement letter.

Date	Events	Management's Response
20 July 2022	Response provided by CNK on covering letter to EL objecting to additional conditions	CNK responded that CNK appointment was vide email dated 26th April 2022 by the Chairman, Audit Committee, the report shall be submitted to the Audit Committee or any other person / regulator as directed by the Audit Committee.
20 July 2022	Status update on Initial requirement list provided by PFS	
21 July 2022	Email from PFS stating that only items having 'Material Impact' should be verified	PFS responded CNK email stating that 1) As per the executed EL, the forensic report should be based on items mentioned Clause 3 (Objective & Scope) to report items having material impact. The material impact is defined in EL as below: *"Material Impact" means any event which result in material adverse impact on financial position on the accounts of PFS and performed with sole motive of malafide intention / fraud wherein any such critical information was not disclosed to Audit Committee or Board and is in contravention of PFS policies or directions of the Board or statutory requirement, having significant impact on decision making related to such project /proposal.* 2) We need to comply with SEBI LODR Clause 17 (B) for Forensic Audit matter, extract of which is as below : **17. Initiation of Forensic audit:** In case of initiation of forensic audit, (by whatever name called), the following disclosures shall be made to the stock exchanges by listed entities: b) Final forensic audit report (other than for forensic audit initiated by regulatory / enforcement agencies) on receipt by the listed entity along with comments of the management, if any. 3) As per PFS communication to exchange (enclosed), the company has appointed CNK as Forensic Auditor. LOI was also issued by the company. The executed Engagement Letter (EL) is addressed to "The Chairman" of the company

Date	Events	Management's Response
21 July 2022		SAP access requested by CNK and provided by PFS within a day viz., 22 July 2022.
21 July 2022		20 Sample loan account requested by CNK
22 July 2022	Status update on additional requirement list 1 provided by PFS	PFS provided majority requirement against first requirement list to CNK.
23 July 2022	Additional requirement list 2 shared by CNK with PFS	-
25 July 2022	PFS shared response on additional requirement list 2 expressing limitations on sharing of data	PFS responded vide email dated 25th July 2022 that it has observed that many items are outside scope of Clause 3 – Objective and Scope of signed engagement letter. For example joining and exit dates of employees which, though PFS had provided yet unable to connect with scope of signed EL. It was further submitted that many items requested by CNK were repetitive and already provided by PFS in previous requirement lists. **PFS further requested CNK to provide the refined list and sent a reminder to CNK for sending refined list on 1st August 2022**
18-22 July 2022, 25 July 2022	Part data shared by PFS for Initial requirement list and additional requirement lists – the sharing was very selective and in bits and parts	PFS complied with all requirements of CNK within the timelines stipulated in engagement letter despite the fact PFS used to receive information requirement in bits and parts and at time information requested was repetitive and already provided earlier, data was also requested pertaining to loan accounts disbursed 10 -12 years ago. It is to be mentioned that as per executed EL, data was to be provided within 1 week from date of receipt of list of requirements.
26 July 2022	Response from CNK to PFS on final draft NDA shared	Response from CNK to PFS whereas CNK insisted to restrict claim due to breach on part of CNK to 100% of fees only and not to actual loss to PFS
26 July 2022	On site visit by CNK partner [redacted]	-
26 July 2022	Email from CNK to PFS for providing data access to audit team to enable data extraction and data backup for	CNK insisted PFS to provide the data on PFS system to CNK outside PFS system on CNK system. Being a listed company, data is confidential and price sensitive,

Date	Events.	Management's Response
	verification purposes	PFS requested CNK to check and verify the data on PFS system only and not to take outside PFS system to CNK system. In executed EL drafted and executed by CNK, there is no provision on providing data outside PFS system to CNK system. However, despite the fact of presence of CNK team in PFS office since 18th July 2022 and verifying the relevant data, CNK stated that ***"till that time such access and backup is provided we cannot even consider the assignment to have commenced"***
26 July 2022	Response from PFS on data access concern raised by CNK	PFS response to CNK stating that : 1) As per executed EL - "The Audit will be conducted as per the mandate." 2) PFS provided all requisite infrastructure to facilitative forensic audit including 6 workstations and three laptops and if required PFS will arrange additional infrastructure. **3) in case any audit supporting backup needed by CNK then printout of relevant extracts may be provided on specific request** 4) PFS further requested to respect executed EL and not to insist any amendment in executed EL which has been duly approved in PFS system **5) PFS further offered to provide any report generated by CNK using PFS SAP system.** Until this date, PFS complied with 75 information requirements of CNK and provided majority loan files to CNK.
27 July 2022		CNK email stating that "In view of the confidentiality and indemnity clauses contained in the annexures to the signed EL, **we believe a separate NDA would not be warranted. Hence without any further discussions on the matter, we would not like to proceed in the matter."**
29 July 2022		PFS email stating that: *"As per our records we are in compliance with all requisite information requested by your kind office and have made available all requisite infrastructure and other requirements to CNK team for smooth conduct of audit. We request you to kindly*

Date	Events	Management's Response
		guide if any further information /infrastructure is required as per Engagement Letter so as we may comply the same also on priority basis. *We assure you our best support and looking forward to get the Forensic Audit completed in efficient & timely manner."*
29 July 2022		CNK re-insisted to provide data outside PFS system to CNK system and stated that ***"till that time such access and backup is provided we cannot even consider the assignment to have commenced"***
30 July 2022		PFS responded CNK email stating that ***"As per approved PFS IT policy formed pursuant to RBI Circular, "a non-disclosure agreement (NDA) must be signed". As per our understanding relevant clause under engagement letter doesn't suffice requirement of NDA. It is to be appreciated that, in spite of pending execution of NDA which we are discussing since 2nd June 2022, PFS has provided access to all data requested by team CNK, considering criticality of the matter and regulatory requirements. "***
01 August 2022		PFS send reminder to CNK for providing refined requirement list dated 25 July 2022 so as the data may be provided.
01 August 2022	Data sharing as per the engagement requirement initiated and partial data shared by PFS with CNK	Considering the criticality of forensic audit for PFS the **data has been provided outside PFS system to CNK system (within 4 working days). It was further requested CNK to executed the NDA on priority. It is to be noted that NDA has not been executed by CNK for the assignment with PFS**
02 August 2022	On site visit by CNK partner [redacted]	-
02 August 2022	Email from CNK to PFS for providing additional details regarding Minutes of Board and Other Sub Committees	-
05 August 2022	Email from CNK to PFS for providing additional details in relation to reports shared	48 Line items has been requested by CNK
06 August 2022	Email from CNK to PFS containing additional loan	11 additional sample loan account files requested by CNK without any discussion

Date	Events	Management's Response
	files selected for verification	for their observation with management till date
08 August 2022	Email from PFS to CNK confirming the sharing of data in relation to additional samples of loan files	-
08 August 2022	Email from PFS to CNK confirming the sharing of data from SAP	PFS provided access to SAP on 22nd July 2022. The report generated by CNK were shared immediately.
08 August 2022	Email from PFS to CNK sharing the new email id for further communication	-
08 August 2022	Email from PFS confirming the sharing of 140 additional loan files (physical) to CNK	**Email from PFS confirming the sharing of additional loan files (physical) to CNK for requirement dated 6th August 2022.**
10 August 2022	Email from PFS requesting to conduct a meeting to discuss the observations. Reply by CNK to hold the meeting at 2 pm next day and confirmation of the same received from PFS	The meeting was scheduled to discuss CNK audit observations / findings. However, CNK did not discuss anything.
10 August 2022	Email from PFS to CNK confirming the sharing of 2 more additional loan files	PFS email stated that: ***"Today we have delivered 2 more files related to additional sample loan account as requested vide email dated 6th August 2022 and now, as per PFS records, company is fully complied with said list requirements"*** Further PFS also requested meeting to discuss CNK forensics observations, if any.
11 August 2022	Email from PFS to CNK informing that mostly additional requirements request dated 02 August 2022 have been complied	PFS email to CNK stating that *"Majority of requirements as requested vide email dated 5th August 2022 detailed below have been complied with as per status list attached herewith. Looking forward for CNK support in efficiently timely completion of Forensic Audit"*
11 August 2022	Email from CNK to PFS requesting to provide the details called for on 02 August 2022	The requirement was related to Board minutes, agenda etc. which were made available to team CNK on first day of audit . This is another example where CNK team is re-sending the information requirement for data which was already provided to CNK. There was additional requirement of audio of board meeting which were made

Date	Events	Management's Response
		available as per convenience of CNK.
11 August 2022	Email from CNK to PFS informing that the requirements requested on 05 August 2022 shared by PFS is not complete and asking PFS to confirm that as per their information, no other reports on the matter are commissioned by PFS or the holding company or any other agency. Based on a review of the information provided till date, an additional requirement list was also sent.	**PFS provided the status of each of the requirement very clearly, however, CNK was stating it as not complete. Hence, PFS summarized each of the requirement and re-submitted the status on 12 August 2022.**
11 August 2022	-	**Additional requirement list consisting 74 line items provided by CNK**
12 August 2022	Email from PFS to CNK sharing the status of compliance and also that recordings of Minutes will be made available from 16 August 2022	It was also mentioned that many of the requirement were made available on day 1 of audit (i.e. 18th July 2022) and CNK team already spent considerable time in reviewing the same for almost two weeks
12 August 2022	-	Email from PFS summarizing the information submitted in response of CNK email dated 11 August 2022.
16 August 2022	Email from PFS to CNK sharing the majority of the requirements requested on 11 August 2022	-
16 August 2022	PFS requesting the date of completion of Forensic Audit from CNK	Forensic audit was in fifth week and as per executed EL, CNK is to provide management discussion of draft report at the end of every week. PFS requested CNK to provide timelines for completion of audit so as the same may be informed to the regulators.
17 August 2022	Email from PFS to CNK requesting to schedule a meeting with Statutory Auditor to which CNK requested the agenda of the meeting. Reply received that Statutory Auditor desires to discuss the scope and timeline for the forensic audit. CNK told PFS that meeting can be held at mutually convenient time	-

Date	Events	Management's Response
18 August 2022	Email from CNK to PFS asking for the pending details of the requirements requested on 02 August 2022 since all details were not forthcoming	In the email CNK state: *"CNK refer to the trailing mail for the requirements which are still awaited and the discussion today with* [redacted] *regarding the manner in which the details are to be provided. As also decided, the CNK team will start listening to the recordings of the meetings from today. Request that the above be expedited in 2-3 days, to enable CNK to draw conclusions for the draft reports "* It is to be mentioned that many requirement mentioned in email dated 2nd August 2022 was provided on day 1 of audit (i.e. 18th July 2022).
19 August 2022	Email from CNK to PFS requesting documents and information related to the appointment of [redacted]	It was one of the issues mentioned in Ex-IDs resignation letter. The veracity of issues raised by Ex-IDs was one of the core area to be seen by forensic auditor. CNK requested information after around 5 week since start of audit when PFS was expecting the forensic audit report. Till 19 August 2022, no observation / finding was discussed with team PFS by forensic auditor despite repeated requests.
20 August 2022	CNK shared the additional requirements for the Risk Assessment and role of CRO	The information was requested at almost end of fifth week when the audit is to be completed as per executed EL. There were 10 additional line items.
22 August 2022	Email from PFS to CNK informing that all recordings have been made available	
22 / 23 August 2022	Exchange of Emails between PFS and CNK regarding timelines sought and that information was being shared in bits and parts with some of the requirements still pending	The forensic audit was in sixth week and as per executed EL it should have been completed in 4 -6 weeks. Infact, before taking the assignment, CNK assured to complete the assignment in 3 weeks from the date of receipt of information as per initial requirement list. Hence, PFS emails stated that, "Forensic audit was in sixth week since start, PFS request CNK to kindly let us know the timelines of draft report / audit observations for management comments / discussions." In its email dated 22nd August CNK stated that though the on-site availability of data and verification started from 18 July 2022, the requirements regarding access of data and use thereof for our reports was made available only on 1st August 2022. (i.e. only 3 weeks have elapsed since then).

Date	Events	Management's Response
		It is to mentioned that it become 2 weeks only since 18 July 2022 till 1st August 2022 however CNK quoted the timeline as 3 weeks without any basis for their benefit. Further the data was provided on 18 July 2022 itself. CNK requested to provide data outside PFS system to CNK system on 26th July 2022 which was provided without 4 working days (As per executed EL data is to be provided within one week from the date of receipt of requirement.
23 August 2022	PFS informed uploading of requisite documents	PFS provided data requested by CNK vide its email dated 19th August 2022.
24 August 2022	PFS informed that Statutory Auditor desires to discuss the scope and timeline for the forensic audit	-
24 August 2022	CNK team after a meeting with the PFS Forensic Audit team, shared the list of requirements and mentioned that the details should be duly certified on PFS letterhead by the PFS Forensic Audit team for completeness and affirmation that no other details on that subject are pending	CNK again provided additional list of items without any discussion on any audit findings till data.
25 August 2022	Email from PFS to CNK informing that data requested by CNK on 20 August 2022 regarding risk assessment is now shared	PFS provided information requested by CNK vide email dated 20 August 2022 and stated that the company is in compliance of all requirements upto 24 August 2022.
26 August 2022	Email from PFS to CNK mentioning the CNK defined scope and period to be covered and requesting to complete the assignment within the agreed timelines and provide the draft report	PFS email stating 1) As per EL, the timeline for completion of audit shall be 4 – 6 weeks from start of audit which is ending on 28th August 2022. Infact, before execution of EL, CNK committed to try to deliver a draft report within 3 weeks and the start date would also be the date the team visits PFS office for actual verification 2) Company is facing immense pressure from regulators for completion of forensic audit at the earliest since the financial results for FY22 is pending to be approved and adopted, credit rating review is held up and further there are penal and other serious consequences on the Company, its promoter and Promoters of Promoter, and any further delay in completion of forensic audit may result in irreparable damage to the company

Date	Events	Management's Response
		3) PFS once again requested CNK to complete the assignment within the agreed timelines and provide us a draft report / discuss your observations, if any, till date on immediate basis. As regard to information requested vide email dated 24th August 2022, the same would be made available for the scope and period agreed as per EL between PFS and CNK
27 August 2022	Email from CNK to PFS mentioning that the timelines are indicative and based on the initial understanding of the assignment. Also, there were delays by PFS in providing data and in any case CNK intending to present the preliminary findings or draft observations in the next 1-2 weeks. The email from CNK also mentioned that "*As far as providing draft observations are concerned, we would like to point out that many of these observations could relate to the actions of the current management taken in the last few years – we would hesitate to share the same with the same set of persons. We are therefore trying to gather as much evidence for these observations from other supporting documents. Without pointing to any specific person or putting allegations on any person, our team also believes that certain crucial information was withheld or deliberately not made available. We are trying to understand this from other supporting documents*".	CNK email stating: 1) the time lines are indicative and based on the initial understanding of the assignment **(Before this it was never informed / mentioned by CNK that the timeline are indicative).** 2) Most of this information was provided in the 2nd / 3rd Week of August 2022 **(whereas CNK itself states that the requirements were provided in first week of audit itself on PFS system and on 1st August 2022 on CNK system)** 3) **CNK also appreciate the efforts put in the PFS team.** 4) **CNK intend to present, in the next 1-2 weeks, preliminary findings or draft observation** ***All information requested by CNK was provided item wise and CNK has neither list of information nor basis of not providing information and just given a general remark without substance.***
29 August 2022	CNK orally requested PFS for meeting with ex-CS regarding NSL loan matters. PFS informed CNK that the ex-CS is not willing to meet the forensic auditor and asked CNK to send formal email for the same. Post the mail, it was confirmed that the ex-CS would visit PFS office to meet CNK. CNK had 2 meetings with the ex-CS in presence of the representatives of PFS. (29 Aug and 31 Aug)	The actual facts are as below: 1) CNK vide its email dated 29th August 2022 requested PFS to arrange meeting with earlier [redacted] NSL related matter. 2) PFS spoken to [redacted] and he expressed his unwillingness to meet forensic auditor. 3) CNK requested PFS to send formal email to him with cc to CNK - In case CS refuses, CNK will try to explain the purpose of the meeting. 4) PFS send [redacted] with cc to CNK and HR has also spoken to CS

Date	Events	Management's Response
		for meeting. 5) CS agreed to come at 4:30 PM on proposed date. 6) CNK responded to PFS- CNK would like [redacted]o identify specific mails relating to NSL from the 'pst' files of the 'CS' shared with CNK. Some specific observations on the same, post the above, may also need to be discussed with him. 7) On 31st August 2022 CNK again requested PFS to arrange meeting with Ex-CS, Sh Vishal Goyal which was arranged same day. 8) It is to mention that CNK provided **"Unauthorized"** access to Ex-CS, Sh [redacted] (ex-employee) on the email PST. Further, it is beyond understanding that CNK needed a support of any outsider for just identifying the emails of a particular loan account.
29 August 2022	Email from PFS to CNK requesting to provide the draft report/observations on immediate basis	PFS email stating 1) PFS thanked CNK for acknowledging PFS efforts in providing support, co-operation and information for forensic audit 2) The EL was awarded with specific objective and timelines while considering the agreed scope of work. At the time of issuance of EL, CNK was fully aware about the need for forensic audit and accordingly the scope of work /timelines were mutually agreed. The deviation of forensic auditor from the agreed scope / timelines at last moment and mentioning it as indicative has put the company in very critical position. 3) CNK was reluctant in sharing the observations with the management based on assumptions without considering factual position, while the management is extending full support, co-operation and information (within / outside the scope / period). However, every time when a report is expected, additional information requests were received for new areas including items outside scope of agreed EL. It is to inform that any forensic audit observation without management discussions / response is incomplete and violation of SEBI LODR 4) The Company is facing immense pressure from regulators for completion of

Date	Events	Management's Response
		forensic audit at the earliest. Further the financial results for FY22 is pending to be approved and adopted, credit rating review is held up, banks are reviewing credit lines and further there are penal and other serious consequences on the Company, its promoter and Promoters of Promoter, and any further delay in completion of forensic audit may result in irreparable damage to the company and its stakeholders PFS requested CNK to complete the assignment since the agreed timelines have already elapsed and provide us a draft report / discuss your observations, if any, on immediate basis.
30 August 2022	Email from CNK to PFS mentioning that CNK will correspond with Audit Committee and regulators and share the verification process and the chronology of details provided so far and adhere to directions they may have in this regard	In executed engagement letter there is no such provision. CNK suo-moto deviating from executed EL.
30 August 2022	Email from CNK to PFS requesting to share the requirements requested on 24 August 2022	The requirement list containing many items which were provided to CNK on day of Audit (i.e. 18 July 2022). PFS responded email on 1st September 2022.
30 August 2022	PFS again asked CNK to share the draft observations	PFS email stated that - PFS understand that CNK is unwilling to share their draft observations with PFS management for management response. These observations are required to be shared on weekly basis (as per term of executed EL) for timely closure of forensic audit. In the absence of any draft observation, PFS management is having no opportunity of being heard resulting in further delay in finalization of forensic audit. PFS solicit your support as above.
31 August 2022	Meeting with Statutory Auditor of PFS in presence of PFS team	The meeting was held in PFS office where forensic auditor verbally informed in presence of PFS representatives and statutory auditor that there are no observations with financial implications.
01 Sept 2022	Email from CNK to PFS requesting for clarifications for selected loan related files	-

Date	Events	Management's Response
01 Sept 2022	Email from PFS to CNK informing the status of the requirements requested on 24 August 2022 except TRA statements	PFS email stating: PFS has complied the requirements as requested vide email dated 24.08.2022 except TRA statements which will be provided by tomorrow
02 Sept 2022	Email from PFS to CNK requesting again to share observations and draft report – to which CNK replied that several details and information were still pending to fill in the gaps	PFS email state that *"As may be aware to your office that as per executed engagement letter with CNK, the management discussion of draft report will be made available at the end of every week and time for completion of forensic audit is 4-6 week from start of assignment. Now we are almost at end of seventh week from the date of start of assignment and till date, despite our repeated request, we have not received any observation for forensic audit outcome till date.* *We again have to inform you that the Company is facing immense pressure from regulators for completion of forensic audit at the earliest. Further the financial results for FY22 is pending to be approved and adopted, credit rating review is held up, banks are reviewing credit lines and further there are penal and other serious consequences on the Company, its promoter and Promoters of Promoter, and any further delay in completion of forensic audit may result in irreparable damage to the company and its stakeholders. We again request you to complete the assignment since the agreed timelines have already elapsed and provide us a draft report / discuss your observations, if any, on immediate basis. "*
02 Sept 2022	Email from CNK to PFS pointing out several requirements asked on 24 August 2022 still awaited and also to provide the additional loan files (for stage 3 as discussed in the meeting with Statutory Auditor and in terms of EL)	**PFS responded to the requirements.** **Further, now, after spending almost one and half month, CNK , after discussion with statutory auditor, realized that they have not seen the accounts which are mandatory to be verified as per executed EL. Hence, additional loan data was requested to team PFS.**
02 Sept 2022	Email from PFS to CNK informing that PFS is providing the information requested on priority, also sharing the responses of the requirements requested on 24 August 2022 and 12 files for 2 loan accounts.	PFS email stating : As may be aware to CNK office that we are almost at end of seventh week since start of audit and the completion of forensic audit is very critical for the company. Though the company met all the requirements of CNK till yesterday on priority

Date	Events	Management's Response
		yet, despite dedicated efforts and co-operation provided, PFS is still to receive any audit observation till date. We again have to inform you that the Company is facing immense pressure from regulators for completion of forensic audit at the earliest. Further the financial results for FY22 is pending to be approved and adopted, credit rating review is held up, banks are reviewing credit lines and further there are penal and other serious consequences on the Company, its promoter and Promoters of Promoter, and any further delay in completion of forensic audit may result in irreparable damage to the company and its stakeholders. We again request you to complete the assignment since the agreed timelines have already elapsed and provide us a draft report / discuss your observations, if any, on immediate basis. Looking forward for your kind support and co-operation as above. **PFS email was written in response of CNK email for additional 4 loan account requirement on 1st September 2022 when CNK realized, after 7 weeks since start of audit, that they have not requested for information for loan account which are mandatorily required to be checked by them in accordance with the agreed scope as per EL**
02 Sept 2022	Email from CNK to PFS informing that non provision of the documents and reports can amount to major limitation and may be escalated to Audit Committee or Regulators	CNK insisted for 4 line items (~ 300 line items complied earlier by PFS) which were **beyond the terms of engagement letter** and stated that if the same is not provided then it **will amount to a scope limitation**
06 Sept 2022	PFS informed CNK that files of balance 2 loan accounts have been provided and also informing the status of requirement list requested on 01 September 2022	PFS email stated : ***PFS have handed over loan files for balance two accounts yesterday and now in compliance with all the requirements as per email tailed below.*** *Looking forward for your kind support for timely efficiently completion of forensic audit"*
06 Sept 2022	CNK requesting PFS to share the loan and disbursement files for [redacted]	PFS again received a new requirement after 48 days without receiving any audit observation finding and when PFS was expecting the results of forensic audit.
07 Sept 2022	Email from PFS to CNK asking to share the audit observations and complete the forensic audit on agreed	PFS email stated:

Date	Events	Management's Response
	timelines as per executed Engagement Letter, to which CNK reply requesting to share the requested details and informing that the team is working to close the process at the earliest	*PFS again have to emphasize that forensic audit is in eighth week since its start against the committed and contractual timelines provided by CNK of 4- 6 weeks from the date of start (six weeks completed on 28 August 2022). As per executed engagement letter with CNK , the management discussion of draft report will be made available at the end of every week. However, till date PFS has not received even a single observation for forensic audit despite repeated followup. CNK is seeking additional information and providing list of requirements in piece meal basis and has not yet shared any of its observation.* *PFS again have to inform you that the Company is facing immense pressure from regulators for completion of forensic audit at the earliest. Further the financial results for FY22 is pending to be approved and adopted, credit rating review is held up, banks are reviewing credit lines and further there are penal and other serious consequences on the Company, its promoter and Promoters of Promoter, and any further delay in completion of forensic audit may result in irreparable damage to the company and its stakeholders. We again request you to complete the assignment since the agreed timelines have already elapsed and provide us a draft report / discuss your observations, if any, on immediate basis as the same need to be updated to various stakeholders including regulators.* *Looking forward for your kind support and co-operation in completion of forensic audit at the earliest.*
07 Sept 2022	Email from PFS to CNK informing of sharing the loan files of Ostro Energy Private Limited	**Information was shared by PFS very next day of receipt of requirement.**
08 Sept 2022	PFS requesting to provide clarity on why CNK requested the loan files of Ostro Energy Private Limited, which clarification was immediately provided by CNK	It was mentioned by CNK that the additional sample asked for is based on certain other data shared with us in last 10 days However, PFS had not shared any new data in last 10 days related to Ostro. But to expedite the completion of audit PFS provided the data immediately.
08 Sept 2022	Email from CNK to PFS informing the data requested still pending, and asking for specific further requirements including pst file for the CEO and MD	CNK again provided the list of information due to which the process was further delayed. Many items were provided to CNK earlier itself. Further CNK now requested to provide data as per their format for their report purposes.

Date	Events	Management's Response
		Further CNK, after almost 2 months, realized that they need to review PST of current MD & CEO which should have been asked at the time of initiation of audit by CNK.
09 Sept 2022	Email from CS, PFS to CNK inviting for the board meeting scheduled on 12 September 2022 and reply from CNK asking for the agenda of the meeting	PFS CS email stated: This is to inform you that the Chairman of the Board has directed the undersigned to invite you for ensuing PFS Board Meeting on 12th September, 2021 at 3PM. The meeting is called on urgent basis to comply with some regulatory instructions. You are kindly requested to block your calendar for 12th Sep, 2022 from 3-6 PM. In case you are not able to attend in person, we shall arrange an online platform for facilitating your presence in scheduled meeting. Further in case of your unavailability on proposed timing, you may depute and authorize senior official/s of your team to represent your firm in our board meeting for PFS forensic audit matters. We are looking forward for your kind presence in our Board meeting as above.
09 Sept 2022		CNK email stated : As discussed orally today, I am travelling overseas to my UAE office from 12-14 Sept 2022. This travel was pre-decided before 2 months and cannot be changed now. Hence, would not be possible on 12th Sept 2022 (incl. joining online). Looking at the sensitivity of the matter, I will able not be able to depute any other juniors for the same. As I also indicated during the discussions, the same maybe possible after my return on 16th Sept 2022 or later. Also request you to inform in advance the agenda for discussion at the meeting.
11 Sept 2022	Email from CS, PFS to CNK requesting to attend the board meeting	PFS CS email stated : *As informed the matter is urgent as regulators are chasing for update, considering your request for postponement, we are constrained to keep Board Meeting on 16th Sep at 10.30 am. May please send a line of confirmation, so that I may issue notices to Directors immediately*

Date	Events	Management's Response
12 Sept 2022	Email from CS, PFS to CNK asking for the confirmation of attendance at the board meeting	PFS CS send request reminder to join the meeting.
12 Sept 2022	Reply by CNK that it may be inappropriate to attend the Board meeting till some preliminary observations or draft report are issued and also shared the status update	CNK response stated: CNK has asked for certain information on 8th Sept 2022 from the PFS Forensic teams. The same is still awaited – even if received today, it will take our teams 1-2 weeks to review and evaluate. Till that time, the status update for the Board will be '*verification is on-going – gaps in information provided is being plugged by asking more details. Our preliminary findings or draft observations will be shared in due course once all information is received to our satisfaction*' You can proceed accordingly.
12 Sept 2022	Email from CS, PFS to CNK asking to attend the board meeting scheduled on 16 September 2022 and reply by CNK to PFS reiterating the same reasons for non-acceptance of the invitation	PFS CS email stated: My email was just to block and take confirmation for your availability for ensuing Board Meeting and not to check status of audit. Further as per your email, now we have rescheduled and kept Board Meeting on 16th September, 2022 at 10.30 AM. May please make yourself available for the same at PFS office.
12 Sept 2022		CNK Email stated: I do not see any need to attend your Board Meeting. Any queries of the Board related to update on the on-going assignment can be sent to us post the meeting. In any case, I have already given the update in the trailing mail which you can share with the Board.
12 Sept 2022	Email from CS, PFS to CNK again requesting to join the board meeting	CS email stated: It is to inform you that as per the directions and based on your request, PFS has rescheduled its Board Meeting on 16th Sep at 11 am, request to block your slot for availability in person at PFS Office and in case you are not able to attend in person, we shall arrange an online platform for facilitating your presence in scheduled meeting. Further in case of your unavailability on said date and time, you may

Date	Events	Management's Response
		depute and authorize senior official/s of your team to represent your firm in our board meeting for PFS forensic audit matters. We are looking forward for your kind presence in our Board meeting as above.
12 Sept 2022	CNK informed PFS that it would not be attending the board meeting	CNK email stated: As already informed in my trailing mail, we do not see any need to attend the Board meeting till we have submitted our preliminary findings or draft reports.
13 Sept 2022	CNK inadvertently instead of sending mail to their team, by doing "reply all" resent a mail to the same persons who had been earlier sent the mail by PFS. Email from PFS to CNK about breach of confidentiality and asking for the list of information sent by CNK to anyone in respect of forensic audit. Email from CNK to PFS confirming there is no breach of confidentiality and that no data has been shared with any outsider. Also, that the said mail had been recalled.	**It is to mention that the email was not sent in the same form but edited before sending. Further, it was clarified by CNK that email was indenting to be send to senior partner of CNK. PFS provided access of information to both person (senior partner and sender of email) and hence response provided by CNK is not justified.** **It is also to mention that at ~~another instance~~ CNK provided "Unauthorized Access" of PST of Ex-CS [redacted] to him when he was an outsider for the company**
14 Sept 2022	CNK requesting PFS to share the information requested on 08 Sept 2022	-
14 Sept 2022	PFS again requesting CNK to confirm that the data has not been shared with any third party, which was immediately confirmed by CNK	-
14 Sept 2022	Email from CS, PFS to CNK requesting to attend the board meeting scheduled on 16 September 2022 and also requesting to provide the draft report by the end of the week, with the final report to be concluded as per the timelines provided by SEBI. In reply, CNK asked PFS to share the status update as shared by them with SEBI	PFS CS email stated: **We again request you to attend the meeting as PFS Board has to report to SEBI based on SEBI directions vide email dated: 8th Sep, 2022, the extract of email below:** ***"In continuation to the status update provided by PFS vide email dated September 07, 2022 on the forensic audit, PFS Board is hereby advised to seek the completion timelines from the forensic auditor. Given the urgency of the***

Date	Events	Management's Response
		matter, the forensic audit exercise may be expedited and concluded latest by end of September 2022" Pursuant to above directions, you are requested to provide the draft report to us by end of this week for our management comments / response, if any. The final report is required to be concluded as per timelines provided by SEBI. In lieu, of above please attend the meeting and provide status or observation on forensic audit.
14 Sept 2022	PFS shared the data and status for the requirements requested on 08 September 2022 to which CNK replied thanking PFS and further highlighted the requirements on which response was still pending	CNK highlighted portion is as below: *"Besides the above, we also require the pst file for all emails of the MD&CEO for the period 1st April 2019 till 30th June 2022. This is in terms of para 3 of the EL."*
15 Sept 2022	Email from PFS to CNK providing the status of the pending requirement and requesting to complete the forensic audit to which CNK also responded on the pending items.	PFS email stated: We understand that emails related to loan accounts as per the list provided is to be seen by CNK. In this regard we have made arrangement in MD office whereas CNK representative may access MD & CEO emails on his system as per executed engagement letter. We request you to kindly depute senior official of your firm for review of required information. We further re-iterated that this is the ninth week since start of audit work and we are yet to receive any draft report / observation from your team. You are requested to provide draft report / observations for management response / comments, if any at the earliest. As informed to you, even SEBI has directed us for completion of forensic audit by September 2022. RBI had earlier issued direction for completion of forensic audit within 30 days, the said timeline has already expired. It is further to inform that the financial results for FY22 is pending to be approved and adopted, credit rating review is held up, banks are reviewing credit lines and further there are penal and other serious consequences on the Company, its promoter and Promoters of Promoter, and any further delay in completion of forensic audit may result in irreparable damage to the company and its stakeholders. We once again request you to complete the assignment since the agreed timelines have already elapsed and provide us a draft report / discuss your

Date	Events	Management's Response
		observations, if any, on immediate basis as the same need to be updated to various stakeholders including regulators.
15 Sept 2022	Email letter from PFS to CNK listing 12 points and again requesting CNK to attend Board Meeting on 16 August 2022 – to which CNK responded to each point refuting the allegations	PFS requests CNK to: • adhere to the timelines agreed in the EL; • submit the report to the Board by end of this week; • attend the Board Meeting to be held on 16.09.2022 and provide a status update of the forensic audit report; • periodically provide discussion of draft report at the end of every week to the management • ensure that the information obtained from PFS during the course of forensic audit is maintained with confidentiality
16 Sept 2022	Email from PFS to CNK requesting the confirmation of definition of major expense through Corporate Debit Card (details sought on 24 August) as per their discussion with a CNK team member	-
16 Sept 2022	Email from PFS to CNK confirming that requisite arrangements will be made and again requesting completion of the forensic audit at the earliest	PFS email stated: We are making requisite arrangements (requested same date). Further, as may be aware to your office, the audit period as per executed engagement letter has expired on 28th August 2022 and we are now about to enter in tenth week of forensic audit since start (against committed timeline of 4 -6 weeks by CNK) and, despite our repeated request and humble submissions; we are still waiting for any audit observation / draft report. Due to this the company is facing serious challenges including financial / reputational damages. We once again request you to provide your audit observation / draft report on immediate basis. Looking forward for your kind support and co-operation
17 Sept 2022	Email from CNK to PFS mentioning that once all the	CNK just given a general remark with no list of pending information stating that

Date	Events	Management's Response
	requested information is available, CNK will endeavor to complete the process at the earliest	PFS should comply to pending items requested by CNK
17 Sept 2022	CNK confirmed the definition of major expense through Corporate Debit Card	CNK clarified that *"We confirm that for our initial sample selection major expense for corporate cards, approval and adherence to policy for major expenses like payments to consultants, business promotion, travelling, etc means Rs.* ***5,00,000/- or above per event / contract.*** *To Illustrate if the total expenses for an event are Rs. 5 lakhs, but the individual expenses are below Rs. 5 lakhs,* ***the said event would be covered.*** *"*
20 Sept 2022	Though the team was promised that access to the pst files of the MD and CEO (asked for on 8 September 2022) would be given by 19 September 2022, the same not made available. CNK was told orally that the team is working to arrange the logistics for the same	PFS vide email dated 15 September 2022 informed CNK that MD &CEO emails can be accessed on MD's system. However, CNK team was not comfortable with such arrangement stating independence issues. It was requested to PFS to provide emails PST of MD & CEO on separate system, which CNK team may verify in confidential manner. Hence, PST was provided on 19 September 2022.
20 Sept 2022	Email from PFS in reply to email of 17 Sept 2022 mentioning that information sought is outside scope (incl. that for corporate card for which company had initially agreed to provide with a threshold of Rs 5 lakhs) and hence will not be provided. Request made by PFS to issue draft report / observations immediately. CNK replied to the same stating that not providing the said information can amount to a limitation on the scope.	PFS email stated: Refer executed engagement letter in which the timelines of audit, period to be covered and scope are clearly mentioned. We once again request you for urgent submission of draft report / observation. Please note the PFS has provided all information requested by CNK till date as per the scope of work. It was also informed to CNK separately that PFS Board desired that the term of EL must be followed by both the parties in letter and spirit. It is to be mentioned that PFS complied with all requested line items barring only 4 line items were informed in this email since it was outside the scope of EL.
20 Sept 2022	CNK replied to this email that the process is on-going and that CNK is working to issue preliminary findings as per the mail. Also, that verification is still pending on some crucial information which was given by PFS in the mail.	-

Date	Events	Management's Response
20 Sept 2022	-	PFS email stated: *Further to our emails requesting your office to attend the meeting of Board of Directors on 16th September 2022, we hereby inform you that the Board meeting was held on 16th September 2022 and the status of forensic audit and its progress was discussed in the said meeting. The Board noted the update from your emails that the verification is on-going, gaps in information provided is being plugged by asking more details and the preliminary findings or draft observations will be shared in due course once all information is received. The Board took note of the status and expressed its concerns regarding the completion of forensic audit, taking cognizance of the SEBI directions regarding conclusion of forensic audit by end of September, 2022.* *The Board discussed the status of forensic audit along with the implications on PFS and its promoter due to non-finalization of financial statements, non-compliances by PFS under various statutes / other regulations, the challenges faced from the lenders regarding renewal of credit lines etc., other associated business risks and the directives issued by SEBI and RBI regarding completion of forensic audit and decided that the forensic audit must be conducted in accordance with the agreed engagement letter.* *The Board decided that the forensic audit should have been completed as per the timelines agreed in the engagement letter and that the terms and conditions contained in the engagement letter signed by forensic auditor and PFS should be adhered to by both the parties in letter and spirit. It may be recalled that the timeline for completion of forensic audit was agreed to be 4-6 weeks from the date of start of assignment. It was also agreed that CNK will be available for discussion with the management of PFS on the draft report at the end of every week and the audit will be on site* *The Board also noted your communication that your team also believes that certain crucial information was withheld or deliberately not made available. We hereby inform you that we have provided to you the entire information in respect of 38 loan accounts selected by you for review including the loan accounts mentioned in the resignation letters of Ex-Independent Directors. You are*

Date	Events	Management's Response
		requested to let us know about the crucial information as per the scope of work, which you feel is not available to you at the earliest, possibly by end of day today. *In view of the above directions issued by the Board, you are requested to provide the draft report to the management of the Company by 23rd September 2022 for management discussions / response, if any, in accordance with the terms of the engagement letter so that forensic audit may be concluded by the end of September 2022*
20 Sept 2022	-	CNK email requesting to provide **names and email ids of all the Directors of PFS so as to enable us to send mails to them.** **It is to mention that PFS has not provided any emails Ids and CNK has arranged the same on its own.**
22 Sept 2022	Pst file of the MD and CEO provided, but there were constraints in accessing the same which was communicated by email to the company. The said mail also mentions other select data which though requisitioned earlier is awaited.	Only indexation was required to be done which could be done very easily by CNK at their end. Other specific details mentioned were provided immediately.
23 Sept 2022	CNK informed PFS that the draft report/preliminary observations are to be submitted by CNK to PFS management only. On the same day, PFS provided the disbursement note of [redacted] (partial), TRA statements of [redacted]	C N K email states that *In the discussion today, we had clarified that we intend to send the preliminary findings to the appointing authority i.e. the Board of Directors. In our view, this would also be in line with the EL and an acceptable practice for such assignments.*
23 Sept 2022	-	PFS email stated: *"Kindly refer our discussion in PFS office today we understand that the draft report / preliminary finding shall be made available by 26th September 2022 to the management of the company for their response in accordance with the terms of executed engagement letter. This is also to ensure the confidentiality required to be maintained as per the terms of engagement letter and the report including draft report / preliminary observations is to be submitted by CNK to management only.*

Date	Events	Management's Response
		As informed earlier PFS Board directed that terms and conditions contained in the engagement letter signed by forensic auditor and PFS should be adhered to by both the parties in letter and spirit. *Looking forward for your kind support and co-operation as above"`*
23 Sept 2022	CNK shared the first preliminary findings report in 3 parts as under: Part I: containing the Background, scope, chronology of events, methodology, challenges and limitations, disclaimers Part II: containing CNK Preliminary Findings for Loan Accounts Part III: containing CNK Preliminary Findings for appointment of Mr. Ratnesh	-
24 Sept 2022	PFS confirmed that they have received the Preliminary findings	PFS email state that We have received your preliminary findings We will provide our response on priority.
26 Sept 2022	-	C N K email state that As mentioned and highlighted in yellow in the trailing mail, our teams would visit the PFS office from tomorrow (27 Sept 2022), to verify the pst file of the MD and CEO, the pending loan accounts and other matters. Please make necessary arrangements as requested by the teams.
28 Sept 2022	PFS email to CNK requesting to schedule the meeting to discuss the preliminary findings	PFS email stated that PFS management desire to meet you on priority so as to discuss your preliminary findings. Pls guide when can we schedule the meeting with you or any senior member of your team in our office. Further we request you to guide when any report will be provided by CNK for forensic audit assignment.

Date	Events	Management's Response
		Looking forward for your kind support and co-operation.
28 Sept 2022		C N K email state that Will revert by tomorrow for the meeting – at Delhi or online. Based on the submissions received on the preliminary findings and the additional findings from our continuing verifications, we intend to issue a draft / final report.
29 Sept 2022	CNK requested PFS to give formal reply to the preliminary findings	C N K email state that Since our preliminary findings were issued to the Board of Directors, we would request that a formal reply is given by the Board or any specific person authorised by them. We would incorporate all such replies and our stand thereon in the draft / final report. In our view, post receipt of the reply as aforesaid, a meeting can be scheduled, if required.
29 Sept 2022	PFS requested CNK to provide the balance observations and they will address all observations in one go. On the same day, PFS again requested to provide balance observations by same day	There is no such email in our records. Our email were written on 30 Sept 2022 as below : Email 1 – We request you to provide your balance observations, if any today itself so as we can address all observations in one go. This will help in expediting the completion of forensic audit as time is matter of essence in the assignment. Email 2 – In continuation of email tailed below ; we would like to reiterate to provide your balance observations, if any today itself in line with PFS Board direction and SEBI advisory to complete forensic audit by 30th September 2022.
30 Sept 2022	CNK requested for a response of the Board of Directors on the Preliminary findings shared on 23 September 2022. Also informed that for the other matters, verifications are going on as 'pst' file of MD&CEO were made available in the 3rd week of September 2022. CNK also intimated that	C N K email state that We request response of the Board of Directors on the preliminary findings shared on 23rd September 2022 for the areas mentioned and attached in the said mail. For the other matters contained in the resignation letters of the independent

Date	Events	Management's Response
	the team is planning on-site verification fom 3 October 2022	directors, our verification process is on-going. As you will appreciate, some of the data / access to pst files of the MD and CEO were made available only in the 3rd week of Sept 2022. Besides our team from Delhi, the team from Mumbai is also planning to travel from Monday 3 Oct for the same. The preliminary findings on the same will be shared in due course.
30 Sept 2022	PFS requested CNK to depute senior official of the CNK to verify the PST file of MD&CEO. On the same day, CNK replied and informed that verification of 'pst' file of MD&CEO is under the supervision of a senior person and the verification for balance loan files is under progress. Also response is awaiting from the Board of Directors on Preliminary Findings shared on 23 September 2022	PFS email state that As confirmed by CNK , PST of MD &CEO was provided on 20th September 2022 and all other details provided before that date. Further, as per CNK email dated 26th September 2022, CNK team visited PFS office since 27th September 2022 to further verify PST file of MD & CEO and other details. It is pertinent to mention that CNK's junior officials are verifying the PST of MD & CEO against PFS specific request vide email dated 15th September 2022 "to kindly depute senior official of your firm for review of required information. We request you to adhere to our Board direction and SEBI advisory and provide all your balance observations , if any today itself.
30 Sept 2022		C N K email stating that Would like to re-iterate that the verification process of pst could start only on 22/23 Sept after indexing. This was under supervision of a senior person with data sorting as per red flags identified by us. The balance verification process for the loan files is also in progress (some of the files were taken back as apparently they were needed for some other purposes by the company). The senior officials from CNK are visiting from next week for the review and verification. Would also like to reiterate that we are awaiting response of the Board of Directors on the preliminary findings shared on 23rd September 2022 for the areas mentioned and attached in the said mail. Please take note of the above as well as the highlighted portion in our trailing mail. Read with the above, we are also working to an early closure of the assignment.
01 Oct 2022		C N K email stating that Request to arrange the hotel booking for me from Monday i.e. 03-10-2022 to

Date	Events	Management's Response
		Friday 07-10-2022.. Once the booking is done, please send your confirmation.
01 Oct 2022		PFS email stating that As may be aware to you that all the information has been provided to CNK long back and due to non-adherence of forensic auditor on committed timelines, PFS Board direction and regulator advisory, the company is incurring huge cost with irreparable damages. We request you to confirm what is the target audit closure date.
01 Oct 2022	PFS clarified that the company will provide the response in one go for all observations and again requesting to complete the forensic audit on time	PFS email state that We have to clarify that in our office there is no senior representative of CNK since the dates mentioned in email tailed below. Further the company will provide its response it due course in one go for all observations. We further have to inform you that the Company is facing immense pressure from regulators for completion of forensic audit immediately. Further the financial results for FY22 is pending to be approved and adopted, credit rating review is held up, banks are reviewing credit lines and further there are penal and other serious consequences on the Company, its promoter and Promoters of Promoter. Due to non-adherence of forensic auditor on committed timelines, PFS Board direction and regulator advisory, the company is incurring huge cost with irreparable damages. We once again request to immediately provide your balance observations, if any.
03 Oct 2022	CNK informed that team is working on the remaining verifications and findings to expeditiously close the assignment and again asked for the response on preliminary findings report. On the same day, PFS again requested to inform the date for submission of balance observations	C N K email state that Having noted the contents of your mail, as already mentioned in my trailing mail, would like an early response to our preliminary observations. We are also working on the remaining verifications and findings to expeditiously close the assignment.
03 Oct 2022		PFS email stating that We once again have to inform you that due to non-adherence of forensic auditor

Date	Events	Management's Response
		on committed timelines, PFS Board direction and regulator advisory, the company is incurring huge cost with irreparable damages. We request you to immediately inform the date for submission of balance observations, if any.
04 Oct 2022	PFS replied CNK on the email dated 17 September 2022 that corporate credit details requested are outside the scope of executed engagement letter	PFS email stating that We reiterate that corporate card details requested is outside the scope of executed engagement letter. Further we wish to inform you that PFS did not observed any transaction of Rs 5 lakh or more during the period 1st April 2019 till 31st March 2022.
06 Oct 2022	The Company Secretary sent invite for the Board Meeting to be held on 11 October 2022 at 11 AM	
07 Oct 2022	CNK replied that they will confirm the attendance on 10 October 2022 because of the prior commitments of another meeting	C N K email state that Will let you know by Monday 10 October whether we would like to attend the Board meeting on 11 Oct and if so, whether physically or online. Incidentally, I also have another Board meeting on same day for a company where I am the Chairman.
07 Oct 2022	PFS replied to CNK on Preliminary Findings report of 23 September 2022	
10 Oct 2022	CNK replied to PFS mail dated 07 October 2022 that it would assume that the response is finalised after deliberations at the Audit Committee / Board meetings of the company and will look into these responses and take them into consideration while issuing the final report. CNK are also in the process of issuing their preliminary findings on the remaining sample Loan files as well on Corporate Governance issues. CNK also mentioned that all the matters indicated in the resignation letters of January	C N K email state that Thank you for the response to the preliminary findings. We would assume that the response is finalised after deliberations at the Audit Committee / Board meetings of the company. We will look into these responses and take them into consideration while issuing the final report. We are also in the process of issuing our preliminary findings on the remaining sample Loan files as well on Corporate Governance issues. As per our scope, this would cover all the matters indicated in the resignation letters of January 2022 of the independent directors.

Date	Events	Management's Response
	2022 of the independent directors will cover as per scope.	
10 Oct 2022	The Company Secretary sent reminder for the availability of Board Meeting @ 11am on 11th October 2022. CNK also confirmed to attend the Board Meeting online at 11am and asked to share the agenda details	
10 Oct 2022	PFS replied to CNK asking to discuss observation before they are drafted / finalized in interest of both the parties. Further, PFS asked to share the draft version of the report with them before the final report is issued by the CNK. PFS also informed that they are expecting preliminary findings on balance observation related to other loan accounts, if any, at earliest.	PFS email stating that Thanks for your mail. It may have noted from our responses that CNK team may have **missed/misunderstood** the documentation, facts and context in a number of instances. Accordingly, it will be in interest of both the parties and time to discuss observations before they are drafted / finalized. Further, please also make sure that the draft version of the report is shared with PFS before the final report is issued from your side. This is also as per the terms and conditions stipulated in the Engagement Letter. As CNK team handed back all PFS laptops and loan files , there is no CNK representative in our office and CNK's last requirements were provided long back (~20 days); we understand that forensic audit has been completed. We are expecting preliminary findings on other loan accounts, if any, at earliest. Further, as mentioned in our earlier response; we have provided management response to your preliminary findings. Our response may be incorporated without any change or our prior approval must be taken for any modifications in our response, if any. Look forward for your kind support as above.
10 Oct 2022	The company secretary sent the mail to inform CNK that they are sharing the link of the board Meeting to join at 11am on 11th October 2022	
11 Oct 2022	CNK sent balance Preliminary Findings II for:	C N K has not reproduced management comments in totally and also modified the

Date	Events	Management's Response
	• 3 Loan accounts (18 pages) and • Corporate Governance (22 pages and 25 pages of exhibits). Further, CNK informed that the verification process has been only temporarily kept on hold – the teams may need to visit PFS to verify additional documents / exhibits basis the response to the preliminary findings I and II. Also, that final view on the preliminary findings (sent on 23 September 2022 and as enclosed) along with a reproduction of the responses from the company for those respective points included therein will be issued as draft report/s. CNK also informed that they are working for an early closure of the assignment.	prominence.
11 Oct 2022	[redacted] senior partner of CNK attended the board meeting wherein discussion was done on the timelines of the forensic Audit. No time commitment was given by CNK since the process was on-going.	
12 Oct 2022	In response to CNK mail of 7 October 2022, PFS informed that in respect of the preliminary findings received on 23rd September 2022, CNK are requested to confirm their availability for discussions in our office at the earliest to ensure the closure of forensic audit as per the timelines discussed in board meeting on 11 October 022.	PFS email stated Further to the response provided to you vide our email dated 7th October 2022, in respect of the preliminary findings received on 23rd September 2022, you are requested to confirm your / your team's availability for discussions in our office at the earliest in order to ensure the closure of forensic audit as per the timelines discussed yesterday in PFS board meeting. Look forward for your kind support as above.
13 Oct 2022	It was informed to PFS that 2022 CNK are in the process of reviewing the response to the preliminary findings sent on 7 Oct 2022and requested to send response to Preliminary Findings II sent on 11 October 2022. Also, CNK will be shortly sending list of further documents	CNK email stated We are in the process of reviewing your response sent on 7 Oct 2022 to the preliminary findings. We request you to also sent your response to our remaining preliminary findings sent on 11 October 2022. Please note that your responses on

Date	Events	Management's Response
	mentioned in PFS response which CNK needs to validate since they were not part of exhibits. Further, based on the above and PFS response on the preliminary findings II, CNK will be sending a draft report to the Board for their consideration	Firday 7 Oct 2022 late evening on Friday and are being looked into only from Monday 10 Oct 2022. We will be shortly sending you the list of further documents mentioned in your above response which we need to validate since they are not part of exhibits. The team will do so at your office and also discuss other points, if required. Based on the above and your response on the remaining findings sent on 11 Oct 2022, we will be sending a draft report to the Board for their consideration.
13 Oct 2022	The company secretary mailed CNK in reference to Board meeting held on 11.10.2022 that the company looks forward to a timely completion of the ongoing forensic audit and the Board resolved in the meeting that "CNK shall submit draft report on or before 19th Oct, 2022 for management comments and final report by 25th Oct, 2022". The Board also discussed that CNK team and PFS Team at the earliest discussed the observations for effective and earliest closing of the report.	
13 Oct 2022		C N K email stating that We are in the process of reviewing your response sent on 7 Oct 2022 to the preliminary findings. We request you to also sent your response to our remaining preliminary findings sent on 11 October 2022. Please note that your responses on Firday 7 Oct 2022 late evening on Friday and are being looked into only from Monday 10 Oct 2022. We will be shortly sending you the list of further documents mentioned in your above response which we need to validate since they are not part of exhibits. The team will do so at your office and also discuss other points, if required. Based on the above and your response on the remaining findings sent on 11 Oct 2022, we will be sending a draft report to the Board for their consideration.
14 Oct 2022	PFS sent the updated remarks and the list of additional	-

Date	Events	Management's Response
	requirements basis the response received for CNK Review.	
14 Oct 2022	CNK responded to PFS on the mail of 13.10.2022, enclosing list of documents mentioned in PFS response dated 7 Oct 2022 which CNK needs to validate since they are not part of exhibits and that a team member of CNK will visit PFS office on Monday 17 October 2022 for the same.	C N K email stated that "We are in the process of reviewing your response sent on 7 Oct 2022 to the preliminary findings. We request you to also sent your response to our remaining preliminary findings sent on 11 October 2022. Please note that your responses on Friday 7 Oct 2022 late evening on Friday and are being looked into only from Monday 10 Oct 2022. We will be shortly sending you the list of further documents mentioned in your above response which we need to validate since they are not part of exhibits. The team will do so at your office and also discuss other points, if required. Based on the above and` your response on the remaining findings sent on 11 Oct 2022, we will be sending a draft report to the Board for their consideration".
14 Oct 2022	CNK replied to the Company Secretary mail dated 13.10.2022 that reiterating the same points as above. On the same date the company secretary replied to CNK that PFS would be having Audit Committee meeting tomorrow i.e. 15 October 2022 at 3.30 PM and to make yourself available for the same. CNK replied that it is difficult to attend the meeting of Audit Committee at such short notice, since the senior partner of the CNK is at Chennai and will be on road at that time.	
14 Oct 2022	PFS sent response for CNK preliminary findings dated 11 October 2022 on additional loan accounts	
14 Oct 2022	PFS informed that all the available loan files for the respective loan accounts requested by CNK have been provided by PFS to CNK. Further, all the e-mails marked to the MD & CEO on his mail ID of domain "ptcfinancial.com" is set as Auto-forward to "ptcindia.com	

Date	Events	Management's Response
	domain".	
15 Oct 2022	The CS again requested CNK to make available for the Audit committee meeting that day at 3.30 pm. CNK replied that senior partner will be on road within Chennai with my other office partners but will plan to be at some coffee shop around 3.30 to 3.45 for about 30 minutes to take the call. The senior partner mailed that he is at coffee shop since 3.40 and will have to leave latest by 4.30. He joined the Audit Committee for about 45 minutes and explained his perspective about few points in the preliminary findings and timelines.	C N K email stated that I will be on road within Chennai with my other office partners, **but will plan to be at some coffee shop around** 3.30 to 3.45 for about 30 minutes to take the call. Request you to also share agenda
15 Oct 2022	PFS sent mail referring to the discussion in today's Audit Committee meeting and that CNK to provide draft report within 4 days	PFS email state that Refer the discussion in today's Audit Committee meeting; we request you to provide draft report within 4 days from today.
15 Oct 2022	PFS requested CNK to visit PFS office on most priority for having management discussions	PFS email stating that Refer discussion in today's Audit Committee meetings ; we request you to visit our office on most priority for having management discussions.
16 Oct 2022	CNK informed PFS that as regards the trailing mail dated 14 October 2022, please note that CNK need a signed declaration from the MD&CEO (or any person authorised by him in writing) that all documents / reports / emails / minutes / agenda papers related to the points as per the scope of the forensic audit have been given to CNK and that the same was also pointed out by the independent director Ms Sushma in the Board meeting of 11 October 2022 which CNK was invited to attend for part of the time.	C N K email stating that As regards your trailing mail dated 14 October 2022, please note that we need a signed declaration from the MD&CEO (or any person authorised by him in writing) that all documents / reports / emails / minutes / agenda papers related to the points as per the scope of the forensic audit have been given to CNK. The same was also pointed out by the independent director [redacted] in the Board meeting of 11 October 2022 which I was invited to attend for part of the time. As far as visiting the PFS office is concerned, we have already informed that a team member would be coming tomorrow to the PFS office for the verification of documents mentioned in your response to our preliminary findings of 23 September 2022 and which are not part of exhibits.

Date	Events	Management's Response
16 Oct 2022	CNK replied to PFS mails dated 15.10.2022 that the review and verification of the responses received to CNK preliminary findings is in progress (the last received late evening on 14 October 2022). CNK also referred to the discussions in the audit committee wherein there was a mention of a report by another consultant (EY) obtained by the company on the preliminary findings of CNK (of 23 September 2022) and on which PFS management relied upon while giving responses to the preliminary findings. The same report was apparently also mentioned by the Chairman of PFS in the Board Meeting of 11 October 2022 in the interaction with us. The obtaining of such a report was a surprise to CNK and requested a copy of the same for review and consideration. Further, once the above processes are complete, a draft report will be issued expeditiously.	C N K email stating that Referring to the discussion at the audit committee for the time I was participating, we had informed that the review and verification of the responses received to our preliminary findings is in progress (the last received late evening on 14 October 2022). We also refer to the discussions in the audit committee wherein there was a mention of a report by another consultant [redacted] obtained by the company on the preliminary findings of CNK (of 23 September 2022) and on which PFS management relied upon while giving responses to the preliminary findings. The same report was apparently also mentioned by the Chairman of PFS in the Board Meeting of 11 October 2022 in the interaction with us. The obtaining of such a report was a surprise to us and we had requested a copy of the same to which the Chairman of the Audit Committee asked the management to provide the same for our review and consideration. Once the above processes are complete, a draft report will be issued expeditiously.
17 Oct 2022	CNK further informed PFS that in continuation of CNK trailing mail, CNK finds the sharing of the preliminary findings with an external agency without our approval, highly irregular, if not breach of confidentiality and that CNK is exploring legal options for the same.	C N K email stating that In continuation of my trailing mail, please note we find the sharing of the preliminary findings with an external agency without our approval, highly irregular, if not breach of confidentiality. We are exploring legal options for the same.
17 Oct 2022	PFS replied to CNK mail dated 15 October 2022 that PFS have provided relevant documents to CNK team visited PFS office today. PFS have been informed that the person visited is not authorized for any discussions and once again requested CNK to visit PFS office on most priority for discussion on draft report so as the forensic	PFS email stating that This is continuation of our email dated 14th October 2022, where, PFS, post Board meeting dated 11th October 2022, informed CNK that all the available loan files for the respective loan accounts requested by CNK have been provided by PFS to CNK. We again, pursuant to your email tailed below, wish to inform CNK that: PFS

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	audit may be completed within 4 days from the date of Audit Committee meeting	has provided: 1. All the information as requested by CNK for conduct of forensic audit in line with the agreed scope. 2. All the available loan files for the respective loan accounts requested by CNK. 3. Complete account statement for loan accounts as requested by CNK. 4. All available third-party reports as requested by CNK for particular loan accounts. 5. All sanction agenda note and related documents, minutes, sanction letters, amendment notes and letters, disbursement notes and other specific details as requested by CNK for particular loan accounts. 6. PST of Ex-CS and MD & CEO as requested by CNK. 7. All agendas of PFS Board and Board sub-committees and minutes of meetings for forensic audit period as per agreed EL. 8. All documents available with company pertaining to appointment of Shri Ratnesh. 9. Such other information / explanation / clarification as requested by team CNK from time to time. PFS Email 2 – stating that We have provided relevant documents to your team visited our office today. We have been informed that the person visited is not authorized for any discussions. Please note that PFS audit committee dated 15th October 2022 emphasizes the need for discussion between management and CNK. Accordingly, we once again request to kindly visit our office on most priority for discussion on draft report so as the forensic audit may be completed within 4 days from the date of Audit Committee meeting. Looking forward for your kind support and co-operation as above.
18 Oct 2022	PFS sent response to CNK preliminary findings on Corporate Governance issues.	-
19 Oct 2022	PFS again informed CNK that the draft report of forensic audit is to be made available by 19th October 2022	PFS email stating that

Date	Events	Management's Response
	CNK replied to the same that they are in the process of reviewing the responses to the preliminary findings (the last of which on Corporate Governance was received only yesterday evening). Based on the same, draft reports will be issued – a prior discussion with the management will also be requested, if required, for the same.	As discussed and agreed in the audit committee meeting held on 15th October 2022, the draft report of forensic audit shall be made available by 19th October 2022. We expect to receive the draft report for our review by end of the day. Looking forward for your kind support and co-operation as above. C N K email stating that We are in the process of reviewing the responses to the preliminary findings (the last of which on Corporate Governance was received only yesterday evening). Based on the same, draft reports will be issued – a prior discussion with the management will also be requested, if required, for the same. The teams are trying their best to do the above at the earliest.
21 Oct 2022	CNK informed PFS that CNK team are currently working on issuing draft report/s for: • Loan Accounts; • Appointment of [redacted]; • Corporate Governance matters. Further, it was once again requested to share a copy of the report of the external consultant which CNK would need to review before issuing the above draft report/s. This will be without prejudice to our right of initiating legal action/s against the company and/or the consultants for sharing of confidential information to outsiders.	
21 Oct 2022	PFS shared the report o[redacted]as requested by CNK . Reply by CNK that the[redacted] report as well as the response received on preliminary findings is being looked into.	PFS email stating that As directed by Audit Committee we are forwarding herewith the report of[redacted] as requested by your office strictly for information only. Kindly note that the[redacted]report is highly confidential and should not be shared with any third party in any manner, whatsoever. Looking forward for having forensic audit report immediately.
21 Oct 2022		PFS email stating that We have provided response on your forensic audit observations and the[redacted]

Date	Events	Management's Response
		report. Kindly provide your draft report on immediate basis since PFS has been advised by regulators for the completion of forensic audit at the earliest. Looking forward to your co-operation in this regard.
22 Oct 2022		C N K email stating that As already mentioned yesterday, our teams are currently working on issuing draft report/s for: • Loan Accounts; • Appointment of [redacted] • Corporate Governance matters. We have received the management responses on Corporate Governance only before few days and the [redacted] report was sent only yesterday. We are reviewing the same. Also, please note that due to the Diwali holidays the teams will not be continuously able to work over the next few days.
24 Oct 2022	Submission by CNK of Draft Reports on Loan Accounts, Appointment of [redacted] and Corporate Governance Matters.	-
24 Oct 2022	Email by PFS mentioning that all responses to the preliminary findings were not included in the draft reports and displeasure regarding CNK questioning the assistance taken by PFS from EY on preliminary findings.	Without prejudice to our rights for management submissions in response to draft report ; we refer page no. 4 (Loan Account) whereas it has been stated that " During discussions with the management, views was expressed that 'evergreening' can be invoked............." **which is completely false and beyond fact. CNK had not discussed any finding / observations with PFS management despite repeated request from PFS management (over phone, on emails , requests in person in PFS office to CNK's team members including partner). It is further to mention that CNK has been maintaining its stand all along that they will not discuss any findings / observations with any official of the company including management despite executing the engagement letter and having PFS Board directions. This is also evident from CNK email dated 19th October 2022.** Further, PFS has already in its response clarified that there is no instance of ever-greening in

Date	Events	Management's Response
		any loan account of PFS. We further express our strong displeasure and objections for questioning the assistance taken by PFS from consultants on preliminary findings and management response. CNK has no authority to impose any restriction on company, in any manner, whatsoever. Further, the language used is highly unethical and un-processional. It is further to inform that matter related to Corporate Expense (Pg 20 – PFS Draft report – point d (i))has already clarified vide PFS email dated 14th October 2022. We further refer to Pg 21 – PFS Draft report – point g , it is to inform that the group Email Id "Forensic Audit" represents the committee of senior officials of the company authorized to coordinate with forensic auditor. It may be mentioned that during the course of forensic audit CNK team has communicated and coordinated with PFS (including submission of findings and draft report) through this email id only. It is further to put our strong objections in omitting company responses at various places without any authorization from company which is totally unprofessional and unethical
26 Oct 2022	Email from CS that as per the Board meeting dated 25 October 2022 he final report was to be given by 30 October 2022.	-
27 Oct 2022	Reply by CNK strongly objecting to the language of the mail send on 24 October 2022. Also, that SNK has resumed office today after the Diwali break. Further, as desired by the management, 2 senior persons involved in the audit process intent to visit PFS office for discussions on 29 Nov / 30 Oct as convenient to management.	CNK email stating that Whilst strongly objecting to the language used in your trailing mail, we have noted the contents therein and will respond on the same appropriately in our report/s. We have resumed office today after the Diwali break. As desired by the Board and the management, our 2 senior persons involved in the audit process intend to visit the PFS office for discussions on 29 Nov Sat or 31 Oct Mon as convenient to the management. You are requested to confirm the same and also send details of the points in the draft report/s which the management intends to discuss.

Date	Events	Management's Response
27 Oct 2022		PFS email stating that We have to inform you that as per Clause 3.1 Audit Coverage and Repot Structure – The management discussion was to be made at the end of every week. Accordingly, PFS requested numerous times (verbally and through emails) for having management discussions before issuance of preliminary findings and draft report, however no discussions have been made by C N K. As we have now received the draft report , the response on which will be provided shortly, we request you to adhere to the timelines of providing your final report by 30th October 2022, as already communicated to you. Further, as desired by you, we welcome you to have discussions with the management on the points you want to discuss. In this regard PFS, vide CS email dated 26th October 2022, have already conveyed you that the management team is available for any discussions. Hence, if you may desire, you may kindly visit our office in person on 28th October 2022 for the above said purpose. We want to re-emphasize that Board has desired that forensic audit report has been made available by you by 30th October 2022. Looking forward for your support in timely issuance of forensic audit as above.
27 Oct 2022	Mail by PFS that statutory auditor of PFS wants to have a meeting with CNK to understand the draft report .Also, PFS request to send the final report by 30 Oct 2022.	PFS email stating that Refer email tailed below from our auditor with request to guide if we can fix your meeting with statutory auditor in our office tomorrow, i.e. October 28, 2022.
27 Oct 2022	Reply by CNK that CNK team can visit PFS office for draft report discussions earliest by 29 Oct 2022 Also , that regarding discussion with statutory auditor, a call can be done as mutually convenient.	
27 Oct 2022	Mail by CNK informing 2 senior members will visit PFS office for draft report discussion on 29 Oct 2022	
28 Oct 2022		PFS email stating that As you would agree, there have been no discussions with the management during the course of your audit despite repeated requests from PFS and also expressly

Date	Events	Management's Response
		agreed in the executed engagement letter which stipulates that management discussion shall be done at the end of every week. CNK team did not come forward for any discussion and even mentioned its hesitation in discussing with the management. We had also requested for discussion at the time of providing PFS' response to your preliminary observations. However, you have already provided your draft reports without any discussion with the management till date on which PFS shall provide its response shortly. While the benefit of discussions and meeting at this stage after release of draft report is not known, we welcome CNK Team in PFS office and shall be available for discussions by your team. Please provide us the additional information / documents, required by your team for discussion. We request you to adhere to the timelines of providing your final report by 30th October 2022, as already communicated to you. Looking forward for your kind support in timely issuance of forensic audit report as above.
28 Oct 2022	PFS provided responses to the draft reports issued by CNK in 6 emails (mail received between 10 -11 PM) . Also confirming visit on CNK on 29 Oct 2022 and again requested to send the Final Report by 30 Oct 2022.	-
29 Oct 2022	Meeting between 2 CNK senior members and PFS Officilars at PFS Office , New Delhi for discussions on draft reports. Minutes of meeting shared by PFS in evening.	CNK team requested clarification on various matters which has been duly provided
31 Oct 2022	Reply by CNK that responses to draft report and the discussions on 29 October are being looked into and final report will be issued expeditiously.	
31 Oct 2022	PFS requesting for issuance of final report on urgent basis.	PFS email stated that Further to our earlier communications and based on discussions with your team, you are requested to provide us the final report at the earliest.

Date	Events	Management's Response
		Please note that today PFS has received communication from the regulator enquiring about the status of final report and they also require the forensic audit report on an urgent basis. Looking forward for your kind support and co-operation.
01 Nov 2022	Statutory Auditor of PFS replied to CNK mail dated 27th Oct 2022 and asked for the convenient time from CNK to have the meeting on 3 November 2022. A meeting was fixed on 3rd Nov 2022 , Thursday at 5 PM>	
03 Nov 2022	PFS mailed CNK asking immediately for the final report. CNK replied that the response on th draft reports was received around 10-11 pm on 28 October 2022. On the very next day , CNK;s 2 senior persons had visited the PFS office for discussins . Also from 31st October 2022 , the team is working on finalizing the reports and that the deadline of 30 October 2022 mentioned in PFS email was unilateral, without CNK concurrence and not feasible or practical at all. Also, the interaction with the statutory auditors for their views on the draft reports was scheduled today, i.e. 5th Nov 2022 at 5 pm and that their view on the draft reports need to be considered	PFS email stated that As may be aware to your office that ,considering the criticality of the situation including impact due to delay in having forensic audit report on our promoter and promoter's promoter, PFS Board had given you time till 30th October 2022 for providing final forensic audit report. However, till date, final report has not been received. Now the delay has starting impacting our promoter's promoter in addition to our company and our promoter company. We request you to provide your forensic audit report immediately, in any case by today's EOD. Looking forward for your urgent support as above.
03 Nov 2022	Call with Statutory Auditors of PFS in presence of management officials to discuss the draft report on loan accounts.	-
4 Nov 2022	Final report issued by CNK	-

PFS Management Response on CNK Final Forensic Audit Report on

Loan Accounts

PFS Management Response on Final Report by forensic auditor – Sample Loan Accounts- (Ref VI. CNK Report on Loan Account)

The summary of sample loan accounts reported in the Final Report

Sr No.	Loan Account	Lending Arrangement	Account status as on 31st March 2022	Total no of observation (total 41)	Observation beyond Review period (Total 22)	PFS Response (Page No)
I.	[redacted]	Sole Banking	100% provisioning made	11	7	11-36
II.	[redacted]	Sole Banking	Standard	3		37-39
III.	[redacted]	Consortium (Lead RBL)	Standard	2		40-44
IV.	[redacted]	Consortium (Lead BOB)	NPA - Written off	4	4	45-50
V.	[redacted]	Sole Banking	Standard	3		51-54
VI.	[redacted]	Sole Banking	Standard	3	2	55-59
VII.	[redacted]	Consortium (Lead IDBI)	NPA and Resolved through OTS – No Exposure as on date	1	1	60-62
VIII.	[redacted]	Consortium (Lead SBI)	NPA - Written off	3	3	63-65
IX.	[redacted]	Sole Banking	NPA (Resolved in 1st week of April 2022)	2(*)		66-68
X.	[redacted]	Sole Banking	Repaid Fully	2		69-70
XI.	[redacted]	Consortium (Lead IDBI)	NPA - Written off	1	1	71-73
XII.	[redacted]	Consortium (Lead BOI)	Standard	1		74-77
XIII.	[redacted]	Consortium (Lead Axis)	Standard	1		78-79
XIV.	[redacted]	Consortium (Lead ICICI)	Standard	1	1	80-81
XV.	[redacted]	Consortium (Lead BOI)	NPA - Written off	3	3	82-86

*- CNK has not provided any observations under one of the observation, hence PFS is not considering the same as an observation. Therefore total number of observation is 40 instead of 41 indicated by CNK.

As per the agreed Engagement letter, CNK was required "*to ascertain any non-disclosure of relevant information (including information which is incorrect on financial reporting, loan recovery process and in relation to any fraud established through forensic audit report on any particular account) to the Audit Committee / Board, which will have Material Impact on the financial of PFS. CNK was also required to Assess and report about implications of such missing information, if any identified, on recovery process and financial reporting of the Company for the stated period (i.e. 01st April 2019 to 31st March 2022).*

In any of the observation, CNK has not established material impact with respect to financial impact, fraud or any malafide intention to conceal the information to Board/ Board committee.

As per the EL, The Review Period is 01st April 2019 to 31st March 2022 and therefore, review of documents outside review period was out of scope. It needlessly took up time and delayed completion of the forensic audit. Out of CNK's all observations, over 50% pertain to a period that is out of scope and are, therefore, irrelevant: of a total 41 observations on loan accounts, a total 21 observations pertain to periods beyond the Review period. CNK's all observation on six (6) loan accounts viz [redacted] which having total 13 observations are beyond the Review period. Being focused would have helped save time and get more objective and relevant observations

It is unfortunate that CNK has neither taken into account or even acknowledged the some of the Company's detailed responses to the Draft report and have added new observations (such as in case of [redacted] and modified (language change and addition of paragraph) existing observations (such as in case of [redacted]. Further, CNK has removed Company's response on "Note on Evergreening". Natural justice, professional ethics and standards required that CNK discuss each response and clearly assert that it agrees or disagrees with the Company response and where it disagrees, gives detailed reasoning. This has not been done by CNK.

While preparation of management response and during the discussion with CNK team, it would have been appreciated that preliminary discussions with PFS management on weekly basis as per agreed scope in EL, would have helped CNK in detailed understanding on the Infrastructure financing and therefore would helped save time and get more objective and relevant observations.

In view of the above, **PFS has now attached below the detailed management responses for each of the observations made by CNK on the sample loan accounts.**

(Ref VI. CNK Report on Loan Account) - Introduction

Page Ref	CNK Observations	Management Response
1	As per the scope of forensic audit, CNK had selected 35 borrower accounts. These were intimated to the company in 4 tranches. Though the focus of the verification was for the period 1st April 2019 to 31st March 2022, for the sake of completeness and understanding of the compliance with the processes and regulatory norms, information (especially electronic) was also sought for the earlier / later periods. The said information was provided after much resistance, and in many cases, was provided in bit and pieces, making the verification difficult and also delaying the process.	CNK itself has acknowledged they asked for information in four tranches yet goes on to allege that the PFS provided the information in "bits and pieces". It contradicts itself: when CNK asked for information in tranches, it is obvious that it would be shared in tranches. PFS complied with all requirements of CNK within the timelines (of 1 week) stipulated in engagement letter despite the fact PFS used to receive information requirement in bits and parts and at time information requested was repetitive and already provided earlier, data was also requested pertaining to loan accounts disbursed 10 -12 years ago. I.e. much beyond review period. Further, it is categorically denied there was any resistance in supplying any information. The forensic audit was required to be done onsite and accordingly, PFS provided the necessary infrastructure to CNK team – laptops, printer, access to system, etc. on first day of audit itself. There were no restrictions made by PFS on takings extracts from the minutes. It may be noted that despite PFS reservations about CNK taking price sensitive data on their system, PFS agreed and shared price sensitive information in CNK system based on CNK's insistence. It is also incorrect to say that there was any pressure from the regulators for providing soft copies of price sensitive information; it is improper to needlessly and incorrectly drag regulators in a contractual arrangement between PFS and CNK. During the audit, CNK team has not provided any instance of incomplete information provided by PFS. CNK was conducting an audit and it was its job to go through all documents supplied to them by PFS to identify required information. The request for information from CNK were received from time to time in multiple tranches, which were provided much within the one week time stipulated in the EL. It is emphatically asserted that PFS has not caused any delay in providing the data/information.
1	While issuing the draft report and final report, the response received from PTC India Financial Services Ltd. (hereinafter referred to as Management/ PFS/ Company) were considered. Changes, as required, have	It is emphatically mentioned that CNK has not considered most of the Management response submitted in the preliminary observation and the draft report, whereas CNK has selectively modified their observations as per their convenience. Further, CNK has also removed PFS response on evergreening submitted in the Introduction chapter of the draft report.

Page Ref	CNK Observations	Management Response
	been incorporated for the management response in this report	
1	It maybe pertinent to point out that many of the responses of the management (for which external professional assistance was sought without our approval by sharing our confidential preliminary findings with them. This, in our view, was highly unprofessional) were repetitive, critical, and harping on the point that the verification was beyond scope or beyond the period covered in the Engagement Letter (EL).	PFS prepared a detailed response to each of CNK's preliminary findings, clarifying the numerous factual and conceptual errors as well as refuting the vague and unsubstantiated comments. The repetition was necessitated because multiple observations of CNK had similar/identical infirmities and required corrections/clarification/contextulisation. PFS is an independent company and reserve the right to appoint any firm or consultant to assist it. PFS appointed the forensic team of [redacted] which is a globally reputed consulting firm and the leading forensic auditor in India. PFS engaged [redacted] to review PFS's responses and provide an independent view on CNK's observations and PFS's responses. Accordingly, [redacted] gave their comments after reviewing the PFS responses along with all supporting documents.
1	Also, it has been responded by the management that there is no 'material' financial impact which was been quantified. Our view in the matter is that for several of our observations, there is a possible financial impact on account of under-provisioning / classification / financial parameters reporting in the respective periods. For the same, we believe the audit committee and / or the regulators will be the best suited to requisition the complete details.	It is pertinent to mention that CNK was engaged by PFS precisely to identify the incidents that have material impact on the financial statements and to quantify this financial impact on the accounts of PFS. However, CNK has not done this and has instead, stated that "the audit committee and the regulators will be the best suited to requisition the entire details and conclude". As per the agreed scope of work, CNK was contractually required "to ascertain any non-disclosure of relevant information (including information which is incorrect on financial reporting, loan recovery process and in relation to any fraud established through forensic audit report on any particular account) to the Audit Committee / Board which will have Material Impact on the financial of PFS".
2	Our draft report on the Loan accounts given hereunder are for 15 loan accounts, which we believe adequately capture 20 instances of discrepancies	This is a generic comment. PFS provided a detailed response for each preliminary observation made by CNK clarifying specific and relevant delegations. It is pertinent to mention that as per the Board approved delegation of powers, the MD & CEO is the competent authority for certain modification in terms and conditions. All due processes were followed by the relevant teams before submitting

Page Ref	CNK Observations	Management Response
	and non-compliance with the internal processes of the company or the regulations. Further, in many cases, the management seems to have exceeded its powers, but the same was not sought to be regularised or informed to the Board in a timely manner.	proposals for approval to the various MDs&CEOs over the last 12 years that were reviewed, in every case listed by CNK. It is reiterated that in no case highlighted by CNK was there a requirement of approval from the Board to issue the amended sanction letters and thus, there was full compliance of Company policy and procedures. Further as per delegation of power, MD&CEO is also the competent authority for disbursement on relaxation of sanction condition, which has been followed in the cases listed by CNK. Therefore, CNK has not understood the delegation of powers and the factual position of the observation made by them. PFS provided a copy of the Board approved Delegation of Powers to the CNK team. All these points were clarified in PFS' response to preliminary findings of CNK. Weekly discussions with the PFS team as per the EL would have helped CNK in detailed understanding of the delegation of powers, internal working process and the details of the issues in question. It would also have saved them a lot of time.

Note: Meaning of 'Evergreening'

Page Ref	CNK Observations	Management Response
5-6	An evergreen of loan is a revolving loan that provides the borrower a line of credit that can be renewed indefinitely, provided the borrower consistently pays off the loan balance and meets other criteria. Evergreening is a practice by which a bank restructures loan repayments or masks loan defaults by giving new loans to help defaulting borrowers repay or pay interest on old loans. Evergreening is a ploy to mask loan default by giving new loans to help delinquent borrowers repay or pay interest on old loans. As per Master Circular – Prudential Norms	CNK has used the term of 'evergreening' or 'possible evergreening' in some of the loan accounts, which is incorrect and out of context. While the term 'evergreening' has not been defined under any circular/direction/guidelines issued by the Reserve Bank of India, The term 'evergreening' is generally understood in banking parlance as sanction of additional loans to debt-ridden companies to repay their old loans with such additional loan, so as to avoid classifying their accounts as non-performing assets (NPAs) (which requires higher provisioning). CNK relied on three sources for defining evergreening viz. general understanding of evergreening, CARO definition and definition as per IBC. CNK has further, suo moto, widened the definition which is in contradiction with sources of definition used by CNK. PFS is not clear as to under what authority, CNK devised its own definition of evergreening to widen the scope of evergreening. As per the source of definition used by CNK, PFS has not done additional sanction and no disbursement from new loan were made to clear dues of old loan. It is to be mentioned that for infrastructure projects, RBI allows the sanction

Page Ref	CNK Observations	Management Response
	on Income Recognition, Asset Classification and Provisioning pertaining to Advances – April 1, 2022 13 – Supervisory Review Any action by lenders with an intent to conceal the actual status of accounts or evergreen the stressed accounts, will be subjected to stringent supervisory / enforcement actions as deemed appropriate by the Reserve Bank, including, but not limited to, higher provisioning on such accounts and monetary penalties*. As per Prudential Framework for Resolution of Stressed Assets – June 7, 2019 23. Any action by lenders with an intent to conceal the actual status of accounts or evergreen the stressed accounts, will be subjected to stringent supervisory / enforcement actions as deemed appropriate by the Reserve Bank, including, but not limited to, higher provisioning on such accounts and monetary penalties*. *This may be in addition to direction to bank/s to file insolvency application under the IBC. As per comments on clause 52 of the Guidance Note of the Institute of Chartered Accountants of India on Companies Auditors' Report Order, 2020	of IDC (interest payment of lender) during construction phase including meeting overrun costs, i.e interest payment can be made from disbursement of sanction of cost over run. PFS understating on the evergreening arising out of practices followed and relevant RBI circular and other circular vis-à-vis understanding of CNK has been explained in the following paragraph: CNK has also, in their draft report on loan accounts, mentioned under the para "Note; Meaning of 'Evergreening': Evergreening is a practice by which a bank restructures loan repayments or masks loan defaults **by giving new loans to help defaulting borrowers repay or pay interest on old loans**." It is stated that in none of the loan accounts mentioned by CNK, **PFS did not sanction any additional loan. All the disbursements are within the original sanction limit**. Further, as per CNK "Evergreening is a ploy to mask loan default by giving new loans to help delinquent borrowers repay or pay interest on old loans." In the same para CNK has further quoted from clause 52 of the Guidance Note of the Institute of Chartered Accountant of India on Companies Auditors Report Order, 2020 (CARO 2020) which states that "[Note; The term 'evergreening' is not defined in the Act. However, in general parlance it implies an attempt to mask loan defaults **by giving new loans to help delinquent borrowers** to repay/adjust principal or pay interest on old loans]" As per Prudential Framework for Resolution of Stressed Assets – June 7, 201923. Any action by lenders with an intent to conceal the actual status of accounts or evergreen the stressed accounts, will be subjected to stringent supervisory / enforcement actions as deemed appropriate by the Reserve Bank, including, but not limited to, higher provisioning on such accounts and monetary penalties*. *This may be in addition to direction to bank/s to file insolvency application under the IBC. From the above it is clear that CNK has also corroborated the fact that for a loan to be classified as evergreening the prime requirement has to be **sanction of additional loan to help delinquent borrowers to repay or pay interest on old loans**. It is thus clear from the above that for a loan to be classified as 'evergreening' the 2 main ingredients are - a) sanction of additional loan; and b) repayment of principal or interest of the old loan from the additional loan. The instance of these 2 ingredients in the loan accounts where CNK has mentioned 'evergreening' or 'possible evergreening' is discussed below :

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<tr><th>Page Ref</th><th>CNK Observations</th><th>Management Response</th></tr>
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(CARO 2020).

"This clause is a new reporting requirement. This clause requires reporting in respect of loan or advance in the nature of loan granted which has fallen due during the year and has been renewed or extended or fresh loans granted to settle the overdues of existing loans given to the same parties. This clause is inserted to identify instances of 'evergreening' of loans /advances in nature of loans. [Note: The term 'evergreening' is not defined in the Act. However, in general parlance it implies an attempt to mask loan default by giving new loans to help delinquent borrowers to repay/adjust principal or pay interest on old loans.]"

Extract of master Direction- Non Banking Financial Company- Systemically important Non-Deposit taking Company and Deposit taking company (Reserve Bank) Directions, 2016 (updated July 22, 2022)

As per para 1.3 of above circular " NBFC have been allowed to fund cost overrun, which may arise on account of extension of DCCO within the time limits quoted at (iii)(a) to (b) above, without treating the loans as ' restructured asset' subject to the following condition:

I. NBFCs may fund additional 'interest during Construction', which may arise
</td>
<td>
a) Sanction of additional loan : It is reiterated that in none of the loans where CNK has raised the issue of 'evergreening' or 'possible evergreening', any additional loans have been sanctioned by PFS. The following table clarifies the above:

<table>
<tr><th>S No.</th><th>Loan Account</th><th>Term used by CNK</th><th>additional loan sanctioned</th><th>IDC was part of approved project cost</th><th>Whether the Loan account is active at Mar'2022</th></tr>
<tr><td>1</td><td>[redacted]</td><td>Evergreening</td><td>No</td><td>Yes</td><td>Yes (Stage II)</td></tr>
<tr><td>2</td><td>[redacted]</td><td>Possible evergreening</td><td>No</td><td>Yes</td><td>Yes (Stage III)</td></tr>
<tr><td>3</td><td>[redacted]</td><td>evergreening</td><td>No</td><td>Yes</td><td>Yes * (Stage III) (date of NPA: 01-May 2020)</td></tr>
<tr><td>4</td><td>[redacted]</td><td>Possible evergreening</td><td>No</td><td>Yes</td><td>No (date of NPA : 31st March 2018)</td></tr>
<tr><td>5</td><td>[redacted]</td><td>Evergreening</td><td>No</td><td>Yes</td><td>No (date of NPA : 30th June 2016)</td></tr>
<tr><td>6</td><td>[redacted]</td><td>Evergreening</td><td>No</td><td>Yes</td><td>No (date of NPA : 31st March 2018)</td></tr>
<tr><td>7</td><td>[redacted]</td><td>Possible evergreening</td><td>No</td><td>Yes</td><td>No (date of NPA : 30th Sept 2015)</td></tr>
</table>
*The loan is no more in the books of PFS w.e.f. 4th April 2022 due to OTS by the new promoter under resolution process

b) Repayment of principal or interest of the old loan from the additional loan : As no additional loan has been sanctioned by PFS in all the loan accounts where CNK has mentioned the instance of 'evergreeing' or 'possible evergreening', so the question of repayment of principal or payment of interest of the old loan from the additional loan does not arises in the first place itself.
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</tr>
</table>

Page Ref	CNK Observations	Management Response
	on account of delay in completion of a project; II. Other cost overrun (excluding interest During Construction) up to a maximum of 10% of the original project cost. The celling is applicable to financing of all other cost overrun (Excluding interest during construction), including cost overrun on account of fluctuation in the value of Indian Rupee against other currencies , arising out of extension of date of commencement of commercial operation; III. The debt equity ratio as agreed at the time of initial financial closure shall remain unchanged subsequent to finding cost overrun or improve in favor of the lender and the revised debt Services Coverage Ratio shall be acceptable to the lender; IV. Disbursement of the funds for cost over runs shall start only after the sponsors/Promoters bringing their share of funding of the cost overrun; and V. All other term and conditions of the loan shall remain unchanged or enhanced in favour of the lenders." <u>CNK Comments</u>	Notwithstanding the above, it is also pertinent to mention that in case of infrastructure projects, which are of long gestation period as there are no cash flows during its construction stage, the 'Interest During Construction' (IDC) is a legitimate expense to be met from the disbursement of sanctioned loan and included in the project cost which is approved by the sanctioning authority. In all loan accounts where CNK has raised instances of 'evergreening' or 'possible evergreening, the IDC as part of the project cost has been approved by the Board of PFS. It also forms part of the loan agreement as project cost. The dues which may have been met from the disbursement from the loan and referred to CNK as instance of 'evergreening' or 'possible evergreening' pertains to disbursement to meet the interest payment (which is classified as IDC in CA certificate) and that too without sanction of any additional loan. It is also pertinent to mention that as per RBI Master direction for NBFC, in case there is delay in project execution NBFCs have been allowed to fund the entire additional Interest During Construction (IDC) including other cost overruns up to a maximum of 10% of the original project cost, without treating the loans as 'restructured asset'. Thus, RBI also recognizes the fact that IDC is a legitimate expenditure during project execution and can be met from the disbursement of the loans from the lenders. It is therefore clear from the above that the instances of 'evergreening' or 'possible evergreening' as mentioned by CNK in certain loan accounts are **thus baseless and not borne out of facts** as PFS has **not sanctioned any additional loan** in all these loans accounts. Further, the dues which may have been met from the disbursement of loan relates to IDC and are legitimate expenditure of the project cost approved by the Board and included in the loan agreements under project cost. Further, the contention by CNK that "Our view, however, is that the term 'evergreening' carries a much wider meaning whereby if further disbursements of an existing approved loan are made to clear overdue interest / instalments, it would still amount to 'evergreening'. Since, such actions helps a lender mitigate the chances of classification of the account as NPA and subsequent provisioning and reporting, we believe the same also amounts to 'evergreening'. The contention of CNK is not based on any regulation and is stretching the argument on 'evergreening' by CNK on their own by considering its "wider meaning" <u>without any basis or authority</u> for arriving at such a conclusion. If the industry were to go by CNK's uninformed interpretation, after the initial disbursement, every subsequent disbursement would tantamount to an instance of 'evergreening' as in case of infrastructure projects, the IDC is an integral part of the project cost and a legitimate expenditure to be met from loan disbursement. This is because the project has no revenues during the construction phase till the DCCO. For the sake of clarity, it is reiterated that IDC starts accruing

Page Ref	CNK Observations	Management Response
	During our verification of loan accounts, we observed instance where disbursement were done for clearing overdue interest/ loan installments. During discussion with the management, views was expressed that 'evergreening' can be invoked only if a fresh loan is granted to facilities repayment of overdue interest/ installments on an existing loan. It was also represented by the management that these instances were in line with the industry practice and allowed as per RBI Direction. *In our view , disbursement done for clearing overdue interest/ installments also amount to 'evergreening' though the same were done within the original sanction. The term 'evergreening' carries a much wider meaning, since, such action helps a lender mitigate the chance of clarification of the account as NPA and subsequent provisioning and reporting.* Further, in cases where disbursement were done due to delays in Date of Commencement of commercial Operation (DCCO) of the project, there was no documentation available that all condition as per the RBI Directions were complied with.	after initial disbursement and needs to be paid to the lenders as there is no moratorium on the payment of interest. It is well understood that without IDC, no large infrastructure project can be completed. This is a basic principle of project finance that is accepted and followed globally by international finance institutions. Had they discussed these issues with the Company during the audit in the weekly meetings mandated under the Engagement Letter, or, before finalizing the draft observations, they would have saved time and obtained understanding and clarity of the principles of infrastructure project finance, its regulations and industry practices. As per the provisions of Facility Agreement, the proceeds of Facility can be utilised inter alia for funding the Projected Project Cost. Further, Schedule of the Facility Agreement includes IDC (which we understand is the reference to interest during construction) as one of the components of the Projected Project Cost. Accordingly, from the above, it is clear that IDC or DSRA or Working capital margin is one of the components of the Projected Project Cost (as depicted under Schedule of the Facility Agreement) and the proceeds of PFS Facility can be utilised for the purpose of funding the IDC or DSRA or Working capital margin. The said Disbursements were made by PFS as part of sanctioned but undisbursed portion of Facility, and was utilised for funding the interest during construction or funding for DSRA creation or for working capital margin, which as mentioned in Facility Agreement are one of the permitted utilisations of the proceeds of Facility. Further, NBFCs are permitted to fund 'interest during construction' arising out of delay in completion of construction of the project (as long as the delay in construction and consequent extension of scheduled commercial operation date is within the limits as stipulated under the Master Direction SI-NBFC). Accordingly, the Disbursements do not amount to 'evergreening', as the Said Disbursements were made towards the purpose already envisaged under the Facility Agreement (i.e. for funding interest during construction or DSRA or Working capital margin) and making such disbursements for funding the 'interest during construction' during the extended construction period is also permitted under Master Direction SI-NBFC".
5-6	For several of our observations on 'evergreenong', there could be a financial impact on account of under-provisioning /	Out of 7 loan accounts, four (4) Loan accounts [redacted] were classified as NPA on or before March 2018. Further, RBI during its inspection of FY2017 and FY2018 has reviewed these accounts and not suggested for change in asset classification

Page Ref	CNK Observations	Management Response
	classification/ financial parameters in the respective periods.	(between substandard, doubtful 1, doubtful 2 or doubtful 3). The other two loan accounts [redacted]) has been reviewed by RBI during its inspection for the FY2020 and not suggested for change in asset classification or adverse observation in adequacy of provisioning. With respect to one loan account [redacted] AP High Court has given the stay on declaring the account as NPA since the borrower was unable to clear his dues due no not receipt of payment from AP DISCOM, however, provision for this loan has been made as per RBI circular on implementation of Ind AS dated March 2020. From the financial year 2018-19 onwards provision has been made basis the Expected Credit Loss model (using the PD LGD values, where PD denotes the probability of default and LGD denotes loss given default). Provision has been calculated basis the above model which resulted in capturing the asset value at the end of every reporting date as its expected realizable value.

I. [redacted] :

<table>
<tr><th>Sr. No.</th><th>CNK Observations- [redacted]</th><th>Management Response</th></tr>
<tr><td>A</td><td>
<u>Modifications in critical sanction conditions post sanction approval from Board of Directors (BOD)</u>
<table>
<tr><td>Sr N</td><td>Existing Condition</td><td>Amended Clause</td></tr>
<tr><td colspan="3">As per PFS letter dated 25 February 2014</td></tr>
<tr><td>a)</td><td>Security:</td><td></td></tr>
<tr><td></td><td>100% pledge of shares of the borrower company equivalent to the total paid up capital at the time of disbursement

of bridge loan.</td><td>100% pledge of shares of the borrower company equivalent to the total paid up capital to be pledged in the following manner;
a) 85.53% shares of project company held by NNPVPL to be pledged in demat form upfront;
b) 14.47% share of project company held by [redacted] to be pledged in demat form within 60 days from first disbursement. Additional 1% interest p.a. shall be charged from 61st day, in case the balance shares are not pledged within stipulated timeline. [redacted] to give undertaking that its shares in the project company shall be pledged to PFS only and within stipulated time period.</td></tr>
<tr><td colspan="3">PFS internal letter dated 10 March 2014 pursuant to request letter o[redacted] for change in terms and conditions as below against the original sanction letter dated 5 February 2014 and 25 February 2014</td></tr>
<tr><td></td><td>Condition as amended vide letter dated 25 February 2014</td><td>Amended Clause</td></tr>
<tr><td>b)</td><td>Security:</td><td></td></tr>
<tr><td></td><td>100% pledge of shares of the borrower company equivalent to</td><td>Minimum 85.54% pledge of shares of the borrower company to be pledged in</td></tr>
</table>
</td><td>
CNK observation is beyond audit review period (01st April 2019-31st March 2022). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below:

The loan account was sanctioned by then PFS Board in its meeting dated 28th January 2014. As per minutes of Board meeting, MD or his authorized representative was authorised to approve and amend general terms and conditions including special conditions – pre ~~commitment/pre-disbursement~~ and other conditions of debt sanction as may be necessary.

The terms and conditions mentioned in the CNK observation were duly approved by the then MD&CEO (after due deliberation and justification proposed by relevant department), the same were as per Delegation of Power of the Company.

The rationale for the amendment was explained in the approval note, which was shared with CNK. However, regrettably, these facts have not been included in CNK's report.

The above mentioned clauses were duly approved in Feb 2014, through the then MD&CEO (after due deliberation and justification proposed in the amendment note) as per Delegation of Power (DOP) of the Company.

These amendments were done by PFS as per the delegation of power of Company only and these business decisions have been taken in the interest of the project based on the then prevailing market dynamics. Further, these management-approved amendments have been informed/ apprised to the Board for information in its quarterly meetings.
</td></tr>
</table>

<table>
<tr><th>Sr. No.</th><th>CNK Observations- [redacted]</th><th>Management Response</th></tr>
<tr><td></td><td>
<table>
<tr><td></td><td>the total paid up capital to be pledged in the following manner;

a) 85.53% shares of project company held by [redacted] to be pledged in demat form upfront.

b) 14.47% share of project company held by [redacted] to be pledged in demat form within 60 days from first disbursement. Additional 1% interest p.a. shall be charged from 61st day, in case the balance shares are not pledged within stipulated timeline. [redacted] to give undertaking that its shares in the project company shall be pledged to PFS only and within stipulated time period.</td><td>following manner;

a) All shares of project company held by [redacted] to be pledged in demat form (including 50 shares held by nominees in physical form) upfront except for additional shares amounting to Rs. 295 crores allotted on 10 February 2014 which shall be pledged within 30 days' time from the date of documentation.

b) Shares of project company held by [redacted] to be pledged in demat form in case of the shareholding of AIPL reaches to 14.47%

c) The borrower to give an undertaking that prior consent of PFS shall be taken for increasing shareholding of [redacted] to 14.47% from current 2.55% and to pledge the same when the shareholding of [redacted] reaches 14.47% of total shareholding at any point of time.</td></tr>
</table>
The above changes have been unilaterally carried out by PFS management without requisite communication to the Board of Directors ('BoD' or 'Board') of the company as per the Delegation of Authority (DoA). This change has also led to a modification in the security cover available with PFS against the Board approved sanction terms.</td><td>Please refer to Exhibit 1A for details on the justifications proposed to MD&CEO prior to his approval.

<u>Financial impact on PFS loan account</u>

As at March 31, 2022, PFS has provision amounting to Rs. 125 crore i.e. 100% of loan outstanding, therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.</td></tr>
<tr><td>B.</td><td><u>Modification regarding initial disbursement date vs loan documentation date</u>

Basis email communication from [redacted] (PTC India) to [redacted] (PFS) dated 10 March 2014 wherein correction has been made in sanction letter for</td><td>CNK observation is beyond audit review period (01st April 2019-31st March 2022). Despite of the above observation being out of</td></tr>
</table>

<table>
<tr><th>Sr. No.</th><th>CNK Observations-[redacted]</th><th>Management Response</th></tr>
<tr><td></td><td>NSL bridge loan in relation to penal for non-creation of security, which has been shifted from pre disbursement to pre commitment condition.

<table><tr><td>Earlier Term</td><td>Modified Term</td></tr><tr><td>Additional interest of 1% pa will be charged from 61st day from the <u>initial disbursement date</u></td><td>Additional interest of 1% pa will be charged from 61st day from the <u>Loan documentation date</u></td></tr><tr><td>If security is not created in 120 days from <u>initial disbursement</u> date, PFS shall have right to declare event of default (EOD)</td><td>If security is not created in 120 days from <u>Loan documentation date.</u> PFS shall have right to declare EOD</td></tr></table>
Though the above changes may not materially impact the company, the above were unilaterally done by the PFS legal team in the loan agreement on the same date as the date of loan documentation.

We have not been able to obtain and verify the fact whether such modifications were subsequently presented to the Board for their approval.

There is no internal approval note available for the same, which indicates that the modifications were done suo-moto by the company officials.

In our view, being a stringent modification, internal approval should have been taken for the same.</td><td>scope, however, to give full clarity, the management response is given below:

The referred clarification was only applicable for one security covered by para B (iii) b, which is missing in the observation. The security mentioned at para B(iii)b is "Balance 3% shares to be pledged within 60 days from loan documentation" (that is the pledge of NSL Energy Venture Pvt Ltd)." and as mentioned by the compliance of which was modified from 61st day from the initial disbursement to 61st day from the loan documentation date which is in favor of PFS as the loan documentation date is prior to loan disbursement date hence the penal charges (if any) will also be levied to cover the period from Loan document date to Loan disbursement date.

Before execution, MD approval obtained by the legal team and MD is competent authority as per the Board approved delegation of power.

<u>Financial impact on PFS loan account</u>

As at March 31, 2022, PFS has provision amounting to Rs. 125 crore i.e. 100% of loan outstanding, therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.</td></tr>
<tr><td>C.</td><td><u>Loan considered as Project loan (as against term loan as originally sanctioned) for purpose of grant of extension of timeline for scheduled COD</u>

The Board in its 57th Board Meeting held on 28 January 2014 had sanctioned Rs. 125 crore bridge loan as a sub limit of the long-term debt facility to [redacted] for setting up of coal plant by the borrower. Bridge loan agreement was executed on 10th March 2014 and subsequently disbursement of the entire bridge loan facility was made on 12 March 2014.</td><td>CNK observation is beyond audit review period (01st April 2019-31st March 2022). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below:

PFS has provided Rs 125 cr bridge loan as a sub-limit of long-term project debt which had already been sanctioned by the Board of PFS vide 57th Board Meeting dated 28th January 2014.</td></tr>
</table>

Sr. No.	CNK Observations[redacted]	Management Response
	The conduct of the account was not satisfactory as loan account showed first signs of stress as early as October 2014, i.e., within 6 months from the date of disbursement. Subsequently basis the letter dated 16 September 2015 from [redacted] there have been a request for deferment of repayment of principal amount by one year from June 2015 to September 2016 on account of delay in project implementation and changes in assumptions, leading to delays in signing of PPA and FSA. Accordingly, an agenda note was put up by PFS for extension of timeline for scheduled COD and for extension in validity of long-term loan and deferment in repayment of bridge loan. PFS in its 71st meeting of the Board held on 16th September 2015, approved revised SoD and other recommended changes. It maybe noted that the extension of timeline for scheduled COD is applicable for loans which are originally sanctioned as Project loans. In the given scenario, the Board has approved the bridge loan as a sub-limit of the Long-Term loan and not as Project Finance. Hence the extension of the SCOD is in violation of the principal sanction terms of the loan. Similar observation was also highlighted by RBI vide their email dated 14 February 2022 to the Company as reproduced below: In our view, the response provided by Company for the above RBI query that 'the modifications pertaining to extension has been duly approved by Board' is factually incorrect and wrongly communicated.	As per the Board agenda for bridge debt, it was proposed that the bridge loan facility would be converted into long-term debt from the disbursement of long-term lenders. In view of the fact that PFS was supposed to be the long-term lender at the time of financial closure, PFS had considered for the extension in SCOD during its bridge loan tenor. Further original SCOD as July 2016 was also provided as per the terms and condition in the agenda note at the time of sanction by the Board. It is to clarify that the SCOD was also extended upto March 2019 due to the delay in the project implementation has been duly approved by Board. It is to be clarified that in project finance/loan, when a financial assistance is being provided, it is in the form of long term loan. Further, when a financial assistance is being provided in form of sub-limit, then any change in any term of either sub-limit or main limit would be having automatic effect on the term of dependent limit. Thus, considering the above facts presented to the Board, the SCOD extension was considered by PFS since the bridge debt sanctioned by PFS was towards Project Finance only which was a to be converted into long term debt at the time of financial closure. **<u>Financial impact on PFS loan account</u>** As at March 31, 2022, PFS has provision amounting to Rs. 125 crore i.e. 100% of loan outstanding, therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.
D.	<u>Comments on Due Diligence and Legal report not considered by PFS</u> As per clause 5.15 (xix) and clause 5.15(xx) of the facility agreement, PFS had a right to carry on Due diligence of [redacted] and its promoters for the purpose of availment of bridge loan by [redacted]. It was also stipulated therein that PFS shall have received a legal	CNK observation is beyond audit review period (01st April 2019-31st March 2022). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below:

Sr. No.	CNK Observations-[redacted]	Management Response
	opinion to its satisfaction regarding any restrictions by lenders of [redacted] and [redacted] group companies of [redacted] for declaration of dividend by respective companies. Basis the legal due diligence report dated 22 March 2014, issued by "[redacted] the following comments have been observed in relation to land agreement between Orissa Industrial Infrastructure Development Corporation (IDCO) and Mahanadi Aban Power Company Limited (MAPCL). The said land has been offered as under mortgage security to PFS for the purpose of bridge loan by the borrower. However, basis the legal DD report, original stipulated condition in the above land agreement executed between IDCO and MAPCL for obtaining of waiver from IDCO for creation of security interest by borrower in favour of PFS was not complied with/not confirmed by Borrower. (relevant extracts of the said report produced below): PFS has accepted the mortgage without obtaining the NOC from IDCO. In our view, this mortgage which is the only basic security in this loan account has become infructuous on account of non-obtaining of such NOC from authority.	The Land was on lease basis (not on ownership basis) from IDCO which is a govt of Orissa department. The fact that it was a leased basis was also mentioned in the Agenda and it was approved by the Board. It was also informed to PFS that the Borrower has already applied for seeking NOC in favour of term lender [redacted] in anticipation of disbursement by the term lender and hence NOC can't be issued twice in favour of different lenders (PFS Loan was a temporary Loan) for same security at same time. (refer **Exhibit 1F)** Knowingly that, thus to protect interest of PFS and to ensure that Borrower doesn't create mortgage with any other lenders for similar temporary financing, PFS took mortgage of lands by constructive delivery by deposit of the original lease deed. The statement of CNK that the mortgage is the only basic security is factually incorrect as the loan being in nature of bridge (i.e. short term till the disbursement of long term lenders start) has many other securities such as : hypothecation of movable property of the project, pledge of shares of [redacted], pledge of shares of [redacted] held by [redacted] (Holding Company), Corporate Guarantee (CG) of the promoter company i.e. [redacted] and Promoter Director's Personal Guarantee (PG). Further, [redacted] also provided post-dated cheques (PDCs) covering the entire loan amount. **<u>Financial impact on PFS loan account</u>** As at March 31, 2022, PFS has provision amounting to Rs. 125 crore i.e. 100% of loan outstanding, therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.

Sr. No.	CNK Observations- [redacted]	Management Response
E.	Non verification of No-Default certificate from Statutory Auditor of [redacted] As per clause 5.1.7 of the facility agreement, 'No default' certificate is to be furnished by Statutory auditors of [redacted] and of the promoters to the satisfaction of Bridge loan lender (i.e. PFS) that; - Neither the borrower, the promoter nor any director is on RBI caution or default list of any lenders; - No default has occurred or is continuing by the borrower /promoter or any of their directors in relation to repayment of any loan /financial assistance /existing borrowers and there has been no major delays in statutory dues by the borrower or promoter in last 3 years; - None of the directors have been disqualified under Companies Act. The certificate dated 26 February 2014 as obtained from Statutory Auditors includes the following: - Statutory Auditor has not provided confirmation whether the borrower, the promoter or any director is on the RBI caution list or not; - Statutory Auditor has highlighted defaults / delays amounting to Rs 1.85 crores by the company in payment of Statutory Dues. (as given below); In our view, PFS (either deliberately or negligently) did not analyse the implications of the above observations with respect to the conduct of the borrower nor any action on the above was taken.	CNK observation is beyond audit review period (01st April 2019-31st March 2022). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below: Before sanction of loan, PFS checked the CIBIL of the borrower, its promoter and directors and found that these parties do not appear in the list of Suit Filed Accounts (Wilful defaults) cases. Further, the condition mentioned was neither part of board sanction nor part of PFS sanction letter. The condition was inserted in loan documents as a matter of abundant caution. PFS received certificate from statutory auditor of Borrower Company and promoter of company of Borrower Company in relation to this fact. (attached as **Exhibit 1G**) The snapshot of board agenda note mentioning CIBIL and statutory auditor certificate is given below (attached as **Exhibit 1H**) Hence, based on CIBIL reports , statutory auditor certificate, no stipulation of such condition in board sanction, regularity in payment of dues by the borrower and its promoters to its lenders and clearance of all statutory dues except some amount for TDS, PFS has processed the request of the borrower. There were no deliberate intentions in relation to above observation. Will impart additional procedures going forward to mitigate such kind of observations. However, PFS duly checks the list of defaulters in internally and the status is also informed in the agenda to the Board. In the instant case the agenda for the board meeting dated 28th January 2014 covers the same. (refer **Exhibit 1I**) **Financial impact on PFS loan account** As at March 31, 2022, PFS has provision amounting to Rs. 125 crore i.e. 100% of loan outstanding, therefore there is no

Sr. No.	CNK Observations- [redacted]	Management Response
		incremental financial impact w.r.t. this loan account on PFS financials.
F.	Delays in attending to hearings of Hon'ble Supreme Court leading to a delay in resolution of the account On account of default by [redacted] and as a part of its recovery procedure, PFS had invoked the pledge of shares of [redacted] on 16 January 2018 and also submitted a claim of Rs 169 crores before Resolution Professional (IRP). However, the claim before IRP was rejected for the reason that invocation of pledge of [redacted] shares led to satisfaction of claim of PFS against [redacted]. The rejection was challenged by PFS before NCLT and subsequently before NCLAT. Subsequently, on 10 July 2019, PFS also filed a petition to Hon'ble Supreme Court against the judgement of Hon'ble NCLAT. It has been observed that there had been constant postponements in the hearing before the Hon'ble Supreme Court (SC) against the order of NCLAT. The same can be evidenced by an internal communication dated 28th November 2019 wherein the management has requested opinion of legal counsel for adjournment of hearing without stating of any specific reason. In our view, these adjournments led to delay in resolution of the account, which could have been resolved had the adjournments not been obtained by the Company. It is also worthwhile to note that the Board of Directors were not apprised of such adjournments being sought by the Company. It may also be noted that an OTS proposal made for the above was also under consideration at the same time. (discussed in point 8 below). The internal note stated as follows "date of hearing at Supreme Court is scheduled on 2nd December 2019. Considering that the OTS offer of the [redacted] is under consideration, PFS legal team was requested to explore the possibility of adjournment of the hearing. The borrower has already sought adjournment of hearing twice earlier. The PFS legal team has sought the view of our legal counsel [redacted] is of the view that "it is possible to seek an adjournment by circulating a letter to the court. No specific reason need to be stated in the letter."	An initial OTS offer was received from [redacted] the holding company in May 2019 and the offer was without any EMD amount continuous attempt made to improve the offer. Further, a clear cut legal opinion to be taken to protect PFS's interest with regard to the Offer for Settlement submitted by [redacted] particularly with respect to ongoing case i.e. u/s 138 and NCLT / NCLAT. As per the legal opinion from [redacted] obtained through office of head legal and company secretory [redacted] Legal Counsel of PFS, inter-alia, stated that *"There is strong merit in the case of PFS, as it has not realized any value from the shares on which the pledge was invoked. If PFS's argument is accepted by the Hon'ble Supreme Court, the RP would then accept the entire claim of PFS as a financial creditor, and PFS would become a part of the COC of [redacted] with majority voting share. However, even after becoming a member of the COC, the amount which PFS would ultimately receive as against its outstanding would depend on the resolution or liquidation of [redacted], as the case may be. It is also important to keep in mind that as IBC is a recent legislation, not many precedents are available, and there can thus be no certainty as to the decision of the Hon'ble Supreme Court in the appeal pending before it. In this context, PFS needs to ascertain the possibility of recovering its dues."* (refer **Exhibit 1J**) Keeping in view of the aforesaid legal opinion, experience/knowledge of settlement in other cases, it is clear that it would have been difficult to achieve more than about 20% recovery of dues through IBC process. This is because IBC was a recent legislation and not many precedents were available. It is

Sr. No.	CNK Observations [redacted]	Management Response
	In this matter [redacted] also took several adjournments to which also PFS had not objected. Similarly, as and when PFS seeked adjournment, the borrower also did not object. It may be noted that the final hearing took place only when the Hon'ble SC denied any further adjournments.	to mention that PFS recoveries through IBC have not been very encouraging for stalled thermal power projects. For stalled power projects the recovery through IBC have only been in the range of 10-20% of Principal outstanding. On the other hand, PFS has been successful in recovering on average 60%-80% of its Principal outstanding through One Time Settlement (OTS). It may also be noted that in this case, PFS team is successful in negotiating 72% of principal outstanding which is more than industry average for stalled thermal projects. At that point of time PFS had already got adverse ruling in NCLT in the instant case and its appeal in NCLAT against the ruling of NCLT also got rejected. In case PFS would have lost the case in Hon'ble Supreme Court, it would have been difficult for PFS to recover the dues. It would have also led to weakening of cheque bouncing case of Rs 125 cr. under section 138 lodged by PFS against the company. As the OTS offer was put up by the Promoter, therefore PFS was in process to get the OTS offer improved. In view of the above PFS did not object to any adjournment taken by the borrower in anticipation of better chances of recovery. Further regarding the allegation that Board of Directors were not apprised of such adjournments, is incorrect and the same was informed to the Board by legal unit in its legal case updates submitted to Board on regular basis. It is also pertinent to mention that PFS management has fought the matter at every legal forum like NCLT, NCLAT & Supreme Court to protect PFS's interest. The effort put by PFS management led to a decision by Hon'ble Supreme Court in the favour of PFS. It is further mentioned that this judgement from Hon'ble Supreme Court is a landmark decision in all matters where

Sr. No.	CNK Observations-[redacted]	Management Response
		borrowers attempted to evade their liability by asserting that mere invocation of dematerialised pledged shares resulted in discharge of debt. In fact PFS needs to be accolade for such landmark Judgement from Hon'ble Supreme Court. Nevertheless, it may be noted that despite of judgment of Hon'ble Supreme Court pronounced in May 2022 in favor of PFS, though RP has given a seat to PFS in the CoC of resolution process of the instant account, NCLT is yet to convene any hearing for the loan account for last the 4 months. Thus, it is evident that addressing stress through legal route is a longish process without any timeline and without any clarity on the amount to be received against the loan. **<u>Financial impact on PFS loan account</u>** As at March 31, 2022, PFS has provision amounting to Rs. 125 crore i.e. 100% of loan outstanding, therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.
G.	<u>Delayed presentation of One Time Settlement offer (OTS) to Board</u> [redacted]) the holding company of [redacted] had submitted a One Time Settlement (OTS) offer of Rs 90 crores with staggered payments vide letter dated 08 May 2019 and a subsequent revised offer of Rs 90 crores with reduced payment timeline vide letter dated 29 July 2020. Agenda note for the proposed OTS proposal was put up to the "Business Committee of Board" only on 17 October 2020 i.e., after a considerable time gap of 17 months. In our view, this substantial delay by management to present the OTS offer to the Board nor making them aware of the adjournments before the SC led to a considerable delay in resolution of the account.	As mentioned in the reply to point no G, an OTS offer was received from [redacted] the holding company in May 2019, however, the same was without any EMD amount. Further, as mentioned above in reply to point no. "G" of CNK, PFS tried to improve upon the OTS offer knowingly that PFS already had adverse ruling from NCLT, the appeal against the order was turned down by NCLAT and in case PFS would have lost in Supreme Court the chances of recovering of dues would have suffered. In the meantime, PFS was also in the process of finalizing the OTS policy as in the 1st meeting of "Group of Directors" (GOD) held on 6th Nov'2019 while discussing on an OTS proposal of

<table>
<tr><th>Sr. No.</th><th>CNK Observations-[redacted]</th><th>Management Response</th></tr>
<tr><td></td><td>Attention is also drawn to Exhibit IL wherein details of the OTS are tabulated taking into account the original OTS offer (as presented to the Board after a 17-month delay) and revised OTS offer.</td><td>another account, it was desired that "PFS may prepare the guidelines to be followed for any settlement proposal and the same may be presented in the next meeting of the GOD for their review." Admittedly, no further OTS proposal could have been placed without the approval of the OTS policy by the Board. The OTS policy of PFS was put up in the GOD's 2^{nd} meeting held on 4^{th} Dec'2019, then in the next meeting held on 1^{st} Feb'2020 after incorporating the suggestion made in the earlier meeting. After recommendation from GOD the OTS policy was approved by PFS board only in the month of June 2020. (refer Exhibit 1K)
<table>
<tr><td>8^{th} May 2019</td><td>Receipt of OTS offer from the promoter of [redacted] without EMD</td></tr>
<tr><td>6^{th} Nov 2019</td><td>Group of Directors (GOD) a sub-committee of Board directed to prepare an OTS policy</td></tr>
<tr><td>4^{th} Dec'2019</td><td>OTS Policy submitted in 2nd meeting of "Group of Directors" (GOD)</td></tr>
<tr><td>1^{st} Feb'2020</td><td>OTS Policy re submitted in the 3^{rd} meeting of GOD incorporating the suggestions made in the earlier meeting. GOD cleared the policy for submission to the Board for approval</td></tr>
<tr><td>23^{rd} June 2020</td><td>OTS Policy approved in the 127^{th} Board meeting</td></tr>
<tr><td>27^{th} Jul 2022</td><td>The promoter of NSL submitted OTS proposal along with EMD amount</td></tr>
<tr><td>8^{th} Sept 2020</td><td>OTS proposal submitted to CRO</td></tr>
<tr><td>12^{th} Oct 2020</td><td>Risk Report received from CRO</td></tr>
<tr><td>17^{th} Oct 2020</td><td>Agenda on OTS Proposal of NSL loan account put up in the 1^{st} Business Committee, proposal</td></tr>
</table></td></tr>
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<table>
<tr><th>Sr. No.</th><th>CNK Observations-[redacted]</th><th>Management Response</th></tr>
<tr><td></td><td></td><td>
<table>
<tr><td></td><td>deferred for re negotiation of amount and other terms</td></tr>
<tr><td>16th Dec 2020</td><td>Agenda re-submitted for OTS proposal of [redacted] account. Agenda deferred pending the discussion on legal opinion received by PTC India Ltd</td></tr>
<tr><td>2nd March 2021</td><td>Agenda re-submitted for OTS proposal o[redacted] account with improvement in payment terms. Agenda again deferred for further re negotiation</td></tr>
<tr><td>17th May 2021</td><td>Report of IDs discussed in 133rd Board meeting and Board interialia desired that OTS offer for [redacted] may be taken after response is received from RBI on the matter related to suspected fraud and receipt of conclusive forensic audit report</td></tr>
<tr><td>20th Sept 2021</td><td>Status update and seeking direction for further action submitted in the 6th Business Committee, wherein Committee stated that in OTS matter Board can only decide further course of action if any.</td></tr>
<tr><td>24th May 2022, 25th June 2022, 16th July 2022</td><td>As directed by Business Committee, status update on the action taken on the directions given by the Board and suitable guidance submitted to Board meetings. Agenda item have been deferred in these Board meeting</td></tr>
</table>
After protracted discussion,[redacted] submitted revised OTS offer (with improved payment terms) along with EMD amount in the month of July 2020. Subsequently, an Agenda note was put up to the Risk unit on 8th of September 2020. After issuance of risk report on 12th October 2020 (refer Exhibit 1L), the agenda was put up in the Business Committee meeting held on 17th October 2020 (refer Exhibit 1M). It is pertinent to mention that from
</td></tr>
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Sr. No.	CNK Observations-[redacted]	Management Response
		March 2020 due to pandemic there was lock down announced and the OTS proposal was processed and agenda note prepared under adverse working situation when everybody was afraid to come to the office. However, the same do not find any mention in the CNK report. In any case, it can therefore be seen from the aforesaid that from the date of submission of OTS with EMD on 27th July 2020, the agenda on OTS offer was put up for the consideration in the 1st meeting of Business Committee held on 17th October 2020, i.e., within two and half months from the date of receiving of OTS offer including EMD which also included one month time taken by CRO to issue the risk report. It is important to mention that though the OTS proposal was put up to the Sub Committee of Board in the month of Oct'2020 but till date (even after 24 months) no decision has been taken by the Board on the merit of the proposal apart from referring it to RBI as "Suspected Fraud" based on an inconclusive forensic audit wherein the auditor himself has claimed that it couldn't carry out the detailed forensic procedures due to non-availability of documents. As the recovery of dues through legal process is time consuming with no time frame and with no clarity on the amount which could be recovered, a decision on the OTS proposal with a clear definitive amount with PFS, would have led to reduction in NPA ratios alongwith boosting the income of PFS. It is pertinent to note that in line with the decision of 6th Business Committee held on 20th Sep 2021 agenda note for the information on the status update and suitable guidance for further action on the matter from the Board, was placed to Board in the meeting held in the month of May, June, July, August &

Sr. No.	CNK Observations-[redacted]	Management Response
		September 2022, however the same got deferred in each of the Board meeting. (refer **Exhibit 1N**) From the above it can be seen that there was not much delay in above proceedings relating to OTS proposal to the business committee. **<u>Financial impact on PFS loan account</u>** As at March 31, 2022, PFS has provision amounting to Rs. 125 crore i.e. 100% of loan outstanding, therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.
H.	Delayed Presentation of Forensic Audit report to the Board of Directors The Company had commissioned a Forensic Audit of [redacted] and had appointed M/s [redacted] to conduct the same. The report on the same was issued on 26 November 2018. The key observations highlighted by the Forensic Auditor in its report are: ▫ The company has consciously denied access to the books of account, correspondence and details relating to their EPC contract awarded to [redacted] which was essentially the central aspect of the entire examination; ▫ Loans to related parties /entities tantamount to diversion of funds; ▫ The group has followed a step up and circular approach using several intermediate layers for share capital of various group companies. All the investor companies and holding companies have very little capital funds. This approach results in concealing the actual source of capital as cause of fund flows amongst related parties appear difficult to map for the genuine project expenditure on an Arm's length distance; ▫ The company's accounting practices with regard to transactions with [redacted] are not considered commercially prudent. Payment of advance even when the commercial contract and EPC terms have not been finalized and the receipt of advance bearing interest for the company appear	PFS had advanced a loan to [redacted], which became a Non-Performing Asset in March 2017. After the account became [redacted], PFS took various steps to ensure recovery of the outstanding and also commenced a forensic audit. The fact that the forensic auditor appointed by PFS submitted an inconclusive report, admittedly prepared without following applying the detailed and comprehensive forensic procedures due to lack of adequate documents from [redacted] and its Resolution Professional (who had been appointed by the National Company Law Tribunal under the IBC to manage the affairs of [redacted] has not been mentioned by CNK. CNK has also not mentioned about the disclaimer given by the Forensic Auditor (refer **Exhibit 1O**). The fact that Corporate insolvency resolution process of [redacted] under Insolvency and Bankruptcy Code ("IBC") commenced on 18.01.2018 has also not been mentioned by CNK. Admittedly, with the commencement of insolvency proceedings in the instant account the Resolution Professional (RP) refused to share documents with the Forensic Auditor appointed by PFS on the pretext that PFS is no more a lender to the company and did not gave seat to PFS on the

Sr. No.	CNK Observations[redacted]	Management Response
	to be strange and prejudicial to the interests of the company; ▫ Continuation of advance against an undefined EPC contract and advance by them to the company and subsequent adjustments made in the account appear to be quid pro arrangements. Given below is the Conclusion from the Forensic Audit Report: The draft of the above was also duly circulated to the management and the same was also accepted by management in its internal note dated 17 September 2018. However, it is critical to note that the management had not presented the above report (neither draft nor final) in a timely manner to the Board. The same presented to board only in the second meeting of the Business Committee dated 16 December 2020. In our view, this delay by the management and withholding of critical information from the Board, ultimately led to the delay in timely actions on the OTS proposal being discussed or settlement of the account. Given below are: a) relevant extracts of 130th Board meeting held on 19 December 2020, wherein forensic audit has been placed before the board for the first time; "It was further informed to the Board that the agenda for 2nd Business Committee meeting also contained a forensic audit report on the [redacted] loan account, conducted on instructions of PFS and dated 26th November 2018. The said report was circulated to the Committee members for the first time during the 2nd meeting. Therefore an independent legal opinion from a senior counsel has been obtained, which has already been circulated to the Board members. The Board members were of the view that review of the legal opinion on the forensic audit report which was prepared in 2018 brings out certain suspicious activities in the account. The Board was also of the view that there are two aspects on this account that are before the Board. The first aspect is related to the governance, compliances & reporting and the second aspect is related to the OTS offer of the promoter of [redacted] During further deliberations, it	"Committee of Creditors" (CoC). Therefore, the report had suggested that steps should be taken to replace the Resolution Professional and enforcing a forensic procedure through intervention of NCLT, however, the same was hampered by the fact that PFS was not given a seat in the CoC and unless the same was done, PFS had no means to enforce the suggestions of the Forensic Auditor. PFS had obtained the views of Hon'ble Mr. Justice (Retd.) [redacted] erstwhile Chief Justice of India) to determine if fraud was made out from the forensic report, who had opined that no case for reporting of fraud had been made out (refer **Exhibit 1P**). Regarding violation of section 447 / 448 to Companies Act, it is pertinent to mention CNK has conveniently quoted the extract from the legal opinion taken by PTC India Ltd and simultaneously did not bother to look into the legal opinion taken by PFS management on the matter from [redacted] Senior Advocate. As per the legal opinion of Senior Advocate [redacted] (refer **Exhibit 1Q**), "*the fraud or suspicion of fraud has to be in relation to the affairs of the company or the body corporate itself, which is the subject matter of forensic audit. In the present case the forensic audit was called for, relating to the affairs of [redacted] and not PFS and therefore in my opinion, the said forensic audit report cannot and does not disclose any fraud in the affairs of PFS itself. Hence there is no question of Section 447 being attracted in case of PFS. I now come to the final issue as to whether the non- disclosure of the said financial reports to RBI is a violation of Chapter IV or any other part of Monitoring of frauds in NBFC's (Reserve Bank) Directions, 2016.*" [redacted] further opined that "*For this kind of reporting of frauds, there has to be conclusive evidence/ material in the hands of the NBFC, which demonstrate beyond reasonable*

Sr. No.	CNK Observations-[redacted]	Management Response
	was pointed out that issues related to the matter may be classified into three parts; 1. First, the compliances and reporting aspect; 2. Second, implications of reporting of the account as Fraud to RBI as recommended in the legal opinion; 3. Third, the proposed One Time Settlement i.e. OTS matters". b) Reference for the above was also drawn by the Independent Directors in their resignation letters dated 19 January 2022; c) Relevant extract of the internal note dated 17 September 2018 wherein comments were provided by management on the draft report; d) Committee of Independent Directors have also mentioned in their report that the Forensic Audit Report was not place before the committee for a period of over two years leading to non-compliance of RBI direction and also issues in governance. PTC India Limited has also sought a legal opinion on the above matter from a senior advocate in which he has stated that there is a prima facie case of violation of Companies Act, 2013 which on being proved in accordance with law, would make the person found guilty becoming liable for punishment under Section 448 of the Companies Act, 2013. Given below is the extract of the same. The legal opinion is also attached herewith as Exhibit IN	*doubt, the frauds committed by any unscrupulous borrower of the NBFC. The same consideration applies to the financial irregularities such as diversion of funds or any other criminal negligence on the part of the borrowers. The forensic audit report of* [redacted] *brings out no such conclusive evidence or material by which PFS, as an NBFC, reaches an irreversible conclusion, that a fraud has been committed by it unscrupulous borrower namely* [redacted] *As the report seriously lack the evidentiary value, it will not be appropriate on the part of the NBFC to report such unsubstantiated observation of fraud or any other financial irregularities on the part of* [redacted] *as a borrower of PFS, as NBFC. Hence it could not and rightly so have not filed form FMR-1 particularly Part-B, with the Reserve Bank of India. As PFS itself was not convinced about the authenticity of the report, there was no question of reaching the confirmed opinion that fraud has been committed by one of its borrowers namely* [redacted] *Part-A of FMR-1 relates to the frauds in PFS. As I have already expressed my opinion that there is no fraud in the affairs of PFS, there is no question of reporting to its Board of Directors or any Committee thereof. Hence there was no requirement of filing FMR-1 for the frauds in the company itself namely PFS as NBFC. In view of the aforesaid, I am of the opinion that there is no fraud in PFS or in* [redacted] *and hence there is no infraction of any law, rule and regulation on the part of PFS, as NBFC"* It is also pertinent to mentioned that [redacted] the then CRO of PTC India Ltd has taken a legal opinion on his own on a matter related to PFS without informing / seeking necessary documents from PFS. It is intriguing to note that CNK has not highlighted the facts that such opinion was obtained by CRO PTC India Limited, being a significant arm's length matter and based on incomplete facts and records of the matter. It may not

Sr. No.	CNK Observations- [redacted]	Management Response
		be out of context to mention that RBI raised supervisory concerns and inspection observations regarding the role of CRO PTC and Ministry of Power directed the Company to resolve the concerns raised by RBI and adhere to arm's length. It is pertinent to note that there is no violation of any SOP of PFS as there is no requirement of presenting the forensic audit report to the board or to any sub committee of the board. (whether fraud is proven or not). In the past also wherever, a fraud has been established through a forensic audit the report has not been presented to the board and only it has been informed to the board regarding the fraud in the account which is in line with the RBI directions. Further, RBI directions says that in case no fraud is detected the same is not to be reported. In the instant case, , the outcome of the forensic audit remained inconclusive as the auditor could not apply detailed forensic procedures due to limited information and therefore there was no requirement to report it to the Board also. It is further mention that CNK has not referred to entire discussions of the Board meetings. CNK has referred to the discussions of 130th Board meeting held on 19th Dec'2020 when the forensic report was first discussed in the Board meeting but have not mentioned from the MoM of the subsequent 133rd Board meeting held on 17th May 2021 (refer **Exhibit 1S**) during which the Board took an informed decision based on the report from the Committee of the IDs formed to look into the matter of Forensic Audit in the instant account. It is pertinent to mention that the PFS Board has constituted a committee of IDs which in *their report have also mentioned that* ***there was no malafide intention*** *of the PFS officers*. Subsequently, the Board also directed to report the matter to RBI as "Suspected Fraud". It is

Sr. No.	CNK Observations-[redacted]	Management Response
		clear that once all the facts were available with the Board alongwith the Report of IDs on the matter it choose to refer it as "Suspected Fraud" and therefore the mention of "Fraud" in the account by CNK by referring to the earlier Board meeting is not borne out of the actuals facts subsequently. Further, from a mere reading of the Board direction of 133rd meeting w.r.t. to instant account it is clearly evident that the Board itself recognized the fact that the Forensic audit was inconclusive and needs to be completed at the earliest by supplying the necessary documents. In line with the directions of the 133rd Board meeting, PFS had already referred the matter to RBI on 12th Aug'2021 as "Suspected Fraud". The vital fact that the account was referred by PFS as "Suspected Fraud" to RBI also do not find any mention by CNK in their report. **<u>Financial impact on PFS loan account</u>** As at March 31, 2022, PFS has provision amounting to Rs. 125 crore i.e. 100% of loan outstanding, therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.
I.	<u>Non-Compliance of Pre-Disbursement condition and misrepresentation to Reserve Bank of India (RBI)</u> As per para 5.2.1(iii) of the bridge loan facility agreement the below condition was stipulated as a pre disbursement condition, "The Borrower shall have received a suitable acknowledgement from[redacted], the lead financial institution of the long term lenders, to the satisfaction of the bridge loan lender, for availing bridge loan by the Bridge Loan lender for the project and that the repayment to the Bridge Loan shall be allowed from the disbursement by the Long term lenders". On verification of the loan documents it has been observed that borrower had written to [redacted]only for their information. The Borrower has not sought written affirmation	CNK observation is beyond audit review period (01st April 2019-31st March 2022). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below: Acknowledgement has been received from [redacted] against on letterhead of[redacted]dated 12 February 2014 (attached as **Exhibit 1T**). Additionally, PFS has also obtained email confirmation from [redacted]via email dated 07 April 2017 (attached as **Exhibit 1U**). As per the email [redacted]epresentative stated *"Pursuant to the trailing mail, we acknowledge that (a) the letter dated 12 Feb 2014 was received by[redacted]and (b) that the [redacted]letter dated 03*

Sr. No.	CNK Observations- [redacted]	Management Response
	of REC for repayment of PFS loan for their disbursement. As per the sanction terms of bridge loan, the repayment was to happen from TRA account of the disbursement from the original term loan lenders. Considering that [redacted] was the lead banker for the original term loan, hence it is very critical to obtain suitable acknowledgement/NOC from [redacted] to that effect. Non-compliance with the same could have jeopardized PFS position with respect to recovery. Given below is the relevant extract of the facility agreement; Further RBI had in its email dated 16 December 2021 had enquired from PFS on alleged non obtaining of NOC from existing lender [redacted] and consequent committing of fraud with the connivance of the company officials. The Company (PFS) has responded to above query stating that as per sanction terms there was no condition for having NOC from existing lenders. In our view, the Company has conveniently chosen to misinterpret the "acknowledgement from [redacted]' and has not construed it as NOC. The same has also seems to have been falsely represented by the Company to RBI. The above observation has also been highlighted in the Due Diligence report dated 22 March 2014 as issued by law firm [redacted] (extract produced below) wherein PFS was required to obtain a suitable acknowledgement from [redacted] The Board Committee have also highlighted issues regarding non-compliance of pre disbursement conditions in its 25th Nomination and Remuneration Committee (NRC) meeting dated 23 January 2018 as below; "Regarding issues involved relating to loan given to [redacted] and [redacted] were of the views that [redacted] has made the observations against the disbursement and monitoring team as the said loan was disbursed without sufficient safeguard regarding compliances of a critical pre-disbursement condition. Further, the monitoring team headed by [redacted] did not track the utilization for a period of as long as eighteen (18) months post the disbursement. In their opinion, the disbursement and monitoring team including [redacted] and the then MD & CEO are responsible for issues relating to [redacted] loan. [redacted] and [redacted]	*Mar 2014 as attached in your email certified true as sent by REC to the borrower"* On question regarding obtaining NOC, the same was never a condition for the loan as PFS only had to obtain acknowledgement from [redacted] which was duly obtained as per facts mentioned above. Hence the above observation made by CNK is factually incorrect. The issues referred by CNK which has been captured in the minutes of 25th NRC meeting held on 23rd Jan 2018, has been adequately addressed by the then Board. Further, it is pertinent to mention that CNK has quoted the minutes out of context, wherein the matter was settled by the Board after considering all facts of the case. **<u>Financial impact on PFS loan account</u>** As at March 31, 2022, PFS has provision amounting to Rs. 125 crore i.e. 100% of loan outstanding, therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.

Sr. No.	CNK Observations [redacted]	Management Response
	[redacted] ere of the views that the case of [redacted] L is a systemic failure, there are no proper system and procedures in place and therefore the Committee has also given their recommendations to strengthen the systems. Further, [redacted] also pointed out that assigning the role of monitoring to Director (F) who was responsible for disbursement was a questionable decision. They further informed that they are also not absolving [redacted] from this case and suggested for issuance of caution for being more vigilant so that transaction like [redacted] should not recur in future. [redacted] were of the views that the entire team was responsible for [redacted] case and [redacted] being one of the key managerial personnel in the team is also accountable for the same." The reference to [redacted] here indicates that such a report was obtained from [redacted] by PFS/PTC. Inspite of our repeated reminders to provide the said report, no such report was made available. We believe that the said report covers several adverse observations against the actions taken by the PFS management in the matter of [redacted]; Also, though the issues were highlighted in January 2018 by NRC, no cognizance thereof or remedial action like bringing this to the attention of the Board, seems to have been taken.	
J.	<u>Security creation not complied</u> The Chief Risk Officer (CRO) of the company, in his risk report dated 12 October 2020 on OTS, has highlighted issues in relation to security creation pertaining to bridge loan. a. [redacted] has not maintained its commitment of maintaining pledge of shares aggregating to 26% of equity shares held in [redacted] PFS; thus resulting in default of terms and conditions of the Bridge Loan Agreement. This has resulted in non-creation of valuable security; b. Non perfection of security interest in immovable properties in favour of PFS by the borrower This amounts to imperfect security creation and confirmation on the loan account. It can also imply jeopardising the interest of the company by not perfecting the security	CNK observation is beyond audit review period (01st April 2019-31st March 2022). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below: The observation of CNK is not related to financial reporting, loan recovery process and in relation to any fraud. Moreover, the disbursement being referred to was accorded in 2014 , (way before the period as per engagement letter. Despite of the above observation being out of scope, however, to give full clarity, the management response is given below. Further, the security related to 26% pledge was complied in line with sanction terms / amendments at the time of disbursement in Mar' 2014. [redacted] subsequently, increased the share capital of

Sr. No.	CNK Observations-[redacted]	Management Response
	for the loan given despite alternate measure adopted by the company like obtaining of constructive delivery by deposit of original deed by the Borrower. We would also like to draw attention to point 5 above wherein lapses were also observed in creation of security interest in the immovable property in favour of PFS.	the said company without pledging proportionate shares to PFS resulting in reduced pledged shares with PFS. PFS had followed up with the company / promoter to pledge the proportionate additional shares (refer **Exhibit 1W**). This fact was also mentioned in the agenda note of OTS proposal submitted to the sub-committee of the Board (refer **Exhibit 1X**) Further, CRO, in its report dated October 2020 has never said that before disbursement security was not created, instead it has stated that [redacted] *has not maintained its commitment of maintaining pledge of shares aggregating to 26% of shares held in* [redacted] *thus resulting in default of terms and conditions of the Bridge Loan Agreement.* Thus, the observation of CNK w.r.t CRO's comments "*This amounts to imperfect security creation*" is not correct, as the said security was created at the time of disbursement and subsequently the same was not maintained by [redacted] Regarding the security interest in immovable property the same is covered in detail while giving PFS's reply at point No. E. **Financial impact on PFS loan account** As at March 31, 2022, PFS has provision amounting to Rs. 125 crore i.e. 100% of loan outstanding, therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.
K.	Non monitoring of stress in the account PFS did not adequately track the repayment and the utilisation of disbursed funds in the [redacted] account post disbursement. This led to an overall stress built up in the account leading to it turning into a Non- Performing Asset (NPA). The stress in the account was also highlighted by the borrower when it had sent a letter to PFS stating its inability to pay dues in timely manner and requesting for moratorium. The stress in	CNK observation is beyond audit review period (01st April 2019-31st March 2022). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below: PFS has disbursed the Bridge loan on 12th March 2014 which was carved out of Rs 150 crores loan sanction by PFS in the consortium of [redacted] (the lead), [redacted] & [redacted] Subsequently

Sr. No.	CNK Observations[redacted]	Management Response
	the account was highlighted to the board only post receipt of such letter. In our view, this can also amount to negligence on the part of PFS. The above is also highlighted by RBI in its email dated 14 February 2022 to the Company PFS had also received CA certificate dated 10 September 2015 which should have been analysed in detail by the monitoring team to identify the gaps in utilisation of funds vis a vis the sanctioned utilisation. Board of directors in their 133rd Board meeting dated 17th May 2021 have also expressed their concern on such issues, relevant extract is as below: [redacted] and [redacted], members of the Committee of Independent Directors on [redacted] informed the Board about the timeline for submission of the report. They summarised that overall, the Forensic Audit Report raises a doubt and leads to the suspicion of fraud. The Committee, therefore, expressed concern and mentioned the issues involved. The Committee expressed that apart from compliance, issues relate to governance, transparency, accountability and responsibility for timely reporting. The actions recommended by the Committee are threefold – a) report to RBI b) Set up an internal committee or engage an external advisor to address the internal control weaknesses that are evident and c) strictly abide by the Company's policy on Fraud Monitoring and Reporting (May 2018). Members of the Board discussed various aspects of the matter, and were of the view that there is no point of law involved, rather the issues involved relate to disclosures, compliances and governance".	after change of central Government in 2014, the new Govt imposed stringent condition on PFC and REC for disbursements relating to coal based Thermal Power projects without availability of Coal Block and long term PPA. [redacted] has long term coal linkage, however, there was no PPA as generally PPA is signed during course of project construction which was 3 years from start of project, as bids from various Discoms was being announced from time to time under the case I scheme In view of this [redacted] and [redacted] could not commence disbursement on long term loan. It is prudent to mention that main source of loan repayment was from the disbursal of long term lenders as mentioned above. The allegation that PFS did not monitor the stressed account is factually incorrect and implies that CNK have not completely reviewed and understood all the documents and information provided by PFS. In this regard various steps were taken by PFS to recover its dues when the account became irregular for the first time in 2016. The protracted efforts put by PFS resulted in recovery of Rs 11.53 crores in the month of September 2016 leading to the account becoming regular. As subsequently the loan again became irregular many steps were taken by PFS in order to resolve the stress such as sale of project to [redacted] sale of account to ARC, taking over asset under SARFAESI Act, lodging of cheque bouncing case under section 138 of NI Act, invocation of pledged shares of sister concern of borrower group which were given to PFS as collateral, approaching NCLT for resolution under IBC 2016. In fact the legal course followed by PFS have led to a landmark decision from Hon'ble SC in all matters where borrowers attempt to evade their liability by asserting that mere invocation of

<table>
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<tr><td></td><td></td><td>dematerialised pledged shares by the Lenders resulted in discharge of their debt. CNK has not stated completed facts here. For better understanding the efforts made by PFS to resolve the stress in the account is given below :

<table>
<tr><td>06.03.2017</td><td>PFS attempted to sell the project to [redacted]</td></tr>
<tr><td>15.03.2017</td><td>PFS attempted to sell the account to ARCs such as [redacted]</td></tr>
<tr><td>25.04.2017</td><td>PFS served on [redacted] and its group companies/directors a notice under Section 13(2) of the 'Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002' (SARFAESI) for payment of dues</td></tr>
<tr><td>Jan-Aug 2017</td><td>PFS issued legal notices and initiated proceedings under Section 138 of the NI Act for payment defaults committed by the [redacted] for dues after August 31, 2016</td></tr>
<tr><td>16.01.2018</td><td>PFS invoked 31,80,678 number of pledged shares (14.98%) held by the [redacted] the ultimate Holding Company of [redacted] in a company called [redacted] a sister concern of [redacted]</td></tr>
<tr><td>18.01.2018</td><td>Hon'ble NCLT, Hyderabad admitted the petition filed by NNPIL u/s 10 of the Insolvency and Bankruptcy Code (IBC).
NOTE: PFS had also filed its petition under Section 7 of IBC before NCLT against [redacted], however, CIRP process was already initiated by NCLT against [redacted] application, thus PFS application became infructuous.</td></tr>
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Sr. No.	CNK Observations [redacted]	Management Response

19.02 .2018	The RP rejected PFS's claim stating that value of invoked pledge share (o[redacted]is more than PFS claim amount.
26.02 .2018	PFS filed appeal in NCLT Hyderabad against the RP's decision of rejecting PFS claim.
06.07 .2018	NCLT Hyderabad directed RP to get valuation of invoked shares [redacted] by PFS to ascertain PFS place in CoC.
03.08 .2018	PFS filed an appeal before Hon'ble NCLAT against the order of NCLT Hyderabad dated 06.07.2018
20.06 .2019	PFS's petition got dismissed by Hon'ble NCLAT
10.07 .2019	PFS filed petition to Hon'ble Supreme Court against the judgment of Hon'ble NCLAT
12.05 .2022	Hon'ble Supreme Court of India pronounced the judgement on May 12, 2022 in favour of PFS
20.05 .2022	PFS requested the RP vide letter and email dated 20th May 2022 to admit the financial claim of PFS, reconstitute the Committee of Creditors ("COC"), revise the list of creditors in light of the Hon'bel Supreme Court judgement dated 12th May 2022.
27.05 .2022	The RP vide email dated 27th May 2022 informed PFS that in light of judgement of Hon'ble Supreme Court, PFS's claim is accepted and included in CoC members and PFS's voting share in CoC is 85.35 %.

It is once again reiterated that the issues which have happened in the past needs to be considered in line with the scenario prevailing at that point of time.

It is also intriguing that while mentioning about Non-monitoring of stress in the account CNK has been quoting from the MoM of

Sr. No.	CNK Observations- [redacted]	Management Response
		133rd Board meeting where discussions were mainly held on the Forensic Report / suspicion of Fraud in the account. Finally, CNK's conclusion that delay in pursuing in legal options and preferring OTS (at a substantial hair-cut, which was not approved by the Board) is factually incorrect. The proposed recovery in [redacted] case is much higher than the industry's experience of recovery in similar stalled thermal projects. It is to mention that PFS recoveries through IBC have not been very encouraging for stalled power projects. For stalled power projects, recovery through IBC have only been in the range of 10-20% of Principal outstanding. In the instant case the OTS offer is 72% of the principal amount which is substantially on the higher side as compared to recoveries through other resolution processes including the options through legal recourse. **<u>Financial impact on PFS loan account</u>** As at March 31, 2022, PFS has provision amounting to Rs. 125 crore i.e. 100% of loan outstanding, therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.
	<u>CNK Conclusion:</u> Based on the above observations, our conclusion in the matter is as under: 1. Delays in presenting critical information to the Board; 2. Disbursements made despite full knowledge of imperfect security creation; 3. Not taking cognisance of several red flags pointed out by CRO reports, Forensic Reports, Board and other external reports; 4. Delays in pursuing legal options and preferring OTS (at a substantial hair-cut, which also did not happen as not approved by the Board) so as to close to close the matter.	Based on the above clarification and justification provided 1. Critical information have been presented to the Board without any significant delay 2. Disbursements made with timeline given for some of security, which was as per Board approved condition and delegation of power of Company; 3. The forensic report was inconclusive and no fraud was evident from the report. Further legal opinion taken by PFS also corroborated the same. PFS. Board has constituted a committee

Sr. No.	CNK Observations [redacted]	Management Response
		of IDs which in their report have also mentioned that there was no malafide intention of the PFS officers. 4. There has been no delay in pursuing in legal options and preferring OTS and instant case the OTS offer is 72% of the principal amount which is substantially on the higher side as compared to the industry's experience of recovery in similar stalled thermal projects. The OTS proposal is under discussion with the Board for last 2 years. The account has been monitored on a on ongoing basis and PFS has been able to successfully recover partial dues from the borrower in July 2016. Once the loan account become irregular again, [redacted] attempted all possible means of recovery from the accounts such as sale of project to [redacted], sale of account to ARC, taking over asset under SARFAESI Act, lodging of cheque bouncing case under section 138 of NI Act, invocation of pledged shares of sister concern of borrower group which were given to PFS as collateral, approaching NCLT for resolution under IBC 2016. The OTS offer has been significantly improved by borrower based on management's actions in the interest of PFS. These PFS efforts to resolve the accounts have been informed to the Board, RMC and Audit Committee time to time. Further, decisions of Board, RMC and Audit Committee have been implemented in this case. The loan account has also reported to RBI for suspected fraud. It is pertinent to note that in line with the decision of 6th Business Committee held on 20th Sep 2021 agenda note for the information on the status update and suitable guidance for further action on the matter from the Board, was placed to Board in the meeting held in the month of May, June, July, August &

Sr. No.	CNK Observations-[redacted]	Management Response
		September 2022, however the same got deferred in each of the Board meeting. As at March 31, 2022, PFS has provision amounting to Rs. 125 crore i.e. 100% of loan outstanding, therefore there is no incremental financial impact w.r.t. this loan account on PFS financials

II. [redacted]

Sr. No.	CNK Observations-[redacted]	Management Response
A	<u>Manipulation of the Loan Book:</u> The borrower has been sanctioned a revolving term debt of Rs 250 crores for meeting the fund requirements of ~~under-construction~~ projects of group companies. As a part of the above facility, borrower has availed loans and also repaid amounts: The disbursements on 08 November 2021 have been availed by borrower towards funding in the SPV's [redacted] and [redacted]). Further the disbursement is tranche 3 i.e., on 31 March 2022 has also been availed against similar SPVs. From the above, it can be observed that: Funds availed for tranche 3 (on 31 March 2022) is for a very short period (only 2 days) vis a vis funds availed for earlier tranches which were for 78 and 98 days; - Tranche 2 had been repaid by borrower from its own funds on 25 January 2022 which indicates that the funds requirement for that particular SPV had already been met; - Disbursement for Tranche 3 was again done for the same SPVs as for done for Tranche 2, which raised doubts on purpose of disbursement for Tranche 3; - Post disbursement of Tranche 3, the facility was repaid in only 2 days by the borrower without serving prepayment notice as required under clause 9.1 of the facility agreement; - Tranche 3 disbursement was unscheduled and was proposed to be done from use of HQLA stock maintained by the Company. Further as per the sanction terms repayment of the said loan was stipulated from the long-term disbursement from senior lenders in the project. However, in the instant cases loan seems to have been repaid by borrower from its own	The loan was sanctioned vide PFS Board meeting dated 21 June 2021 as per which the loan facility was revolving in nature. As per the approved facility, Borrower may seek the disbursement from PFS on short term basis for capex utilisation in their multiple SPVs and funds repaid back to PFS may again be utilised in the identified SPVs and this revolving process may continue till the maximum tenor of 4 years from the date of disbursement for first time. Borrower has requested loan from PFS for [redacted] and [redacted] multiple times in anticipation of financial closure/ equity being available for the projects and each time the loan was repaid out of its own sources as allowed in the Facility Agreement. The total capital (equity) required for 2 projects was Rs 11200 crore which has been appraised to the Board at the time of sanction. (attached as **Exhibits 2A, 2B and 2C)** As per the Board approved terms and condition, Borrower can prepay the loan out of its own sources, in case of delay in financial closure, Borrower has option to prepay from any other sources, which may be cheaper than PFS loan. This is standard practice to refinance the short term facilities by availing another short term or long term arrangement which is less costly. In relation to quick repayment for tranche 3, the borrower itself requested for pre-payment. Please refer to the email from borrower on the same. It must be noted that PFS received interest amounting to Rs 13.50 lacs from the borrower on tranche 3. PFS has done the disbursement based on the borrower request for need of fund after review of compliance of terms and condition of the facility agreement, and Borrower has repaid as per the option available in the facility agreement. **<u>Financial impact on PFS loan account</u>** The borrower subsequently prepaid the said loan on April 2, 2022 therefore there is no financial impact w.r.t. this loan account on PFS financials. It is pertinent to mentioned that the capital adequacy ratio deteriorate with

Sr. No.	CNK Observations-[redacted]	Management Response
	funds itself as the span of the loan availment was only for two days. Such short availment and subsequent repayment raises suspicion on the genuineness of the transactions and particularly so when such transaction is carried out on a year-end date. Further such disbursement of funds on the year end date would result in inflation of the Year-end Loan Book and improvement of various financial parameters of the Company like Net NPA ratio, Gross NPA ratio, Capital Adequacy ratio, etc.	additional disbursements and understanding of CNK is wrong that additional disbursement result in improvement of Capital Adequacy Ratio.
B.	<u>UDIN mismatch - Diversion of funds and weak monitoring controls:</u> As per the clause 14.3 (c) of the loan agreement the borrower shall have provide the end use certificate from the auditor of the borrower / Chartered Accountant within 45 days from each Disbursement certifying the end use of the facility and equity/ shareholder's loan brought in by the borrower/ group companies in respective identified Projects, except in case of Initial Disbursement. Based upon the above clause the borrower has submitted the End-use certificates issued by the Chartered Account dated 20th July 2021 certifying the total promoter's contribution including contribution made by the borrower in both SPVs utilizing the first Disbursement made by the company. Upon verification of the UDIN on ICAI portal it was seen that the amount certified as promoters' contribution (as per UDIN screenshot) in the SPV named [redacted] was not in line with the certificate provided by the Chartered Accountant. The above is indicative of incorrect certification by Chartered Accountant for funds infusion by Promoters and may also indicate diversion of funds by borrower. Also, PFS has not taken care to verify this fact from the UDIN portal of ICAI. This reflects the gaps in the monitoring of such critical pre disbursement conditions by PFS. The above matter may also be referred to the ICAI for suitable action against the Chartered Accountant.	As per the terms and conditions sanctioned by the Board, End use certificate from CA is not applicable for initial disbursements made. Subsequently the details as per end use certificate received on 16 November 2021, are matching with the details on UDIN portal. (attached as **Exhibits 2D and 2E**). **<u>Financial impact on PFS loan account</u>** The said loan was subsequently prepaid by the borrower on April 2, 2022 therefore there is no financial impact w.r.t. this loan account on PFS financials.

Sr. No.	CNK Observations-[redacted]	Management Response
C.	<u>End Use Certificate not obtained:</u> As per conditions stipulated in the sanction, the borrower is required to submit a CA certificate, confirming the end use of funds within 45 days of each disbursement. However, for the purpose of disbursement done on 31 March 2022, the end use certificate has not been obtained by PFS. Not obtaining of the end use and prepayment of the facility by the borrower within a period of mere 2 days raises suspicions on the purpose for which the funds have been disbursed by PFS to the borrower.	As per the terms and condition s of PFS' sanction, the End Use certificate was to be obtained within 45 days from the disbursement. Since the Borrower could not utilize the funds availed as informed vide their prepayment intimation (vide email dated 02nd April 2022), and was repaid back in 2 days, the end-use certificate was not obtained by PFS. (refer **Exhibit 2H**). The extract of prepayment intimation is as below: *"The fund requirements of Renew are delayed however so we would like to prepay the entire facility on 02-04-2022 from our own sources, and would like to request for waiver of the notice period".* **<u>Financial impact on PFS loan account</u>** The said loan was subsequently prepaid by the borrower on April 2, 2022 therefore there is no financial impact w.r.t. this loan account on PFS financials
	<u>CNK Conclusion:</u> Based on the above observations, our conclusion in the matter is as under: 1. Disbursement of funds merely for overstating of loan book and related parameters for RBI reporting as at year end; 2. Weak monitoring controls and non-receipt of end use certificate which could have led to diversion of funds; 3. Repayment ~~of facility~~ without serving of adequate prepayment notice (30 days) as stipulated in the facility agreement;	Based on the above clarification and justification provided 1. PFS has done the disbursement based on the borrower request for need of fund after review of compliance of terms and condition of the facility agreement, and Borrower has repaid from cheaper source which is allowed in the facility agreement. 2. As per the compliance requirement, CA certificate was received and now PFS verified CA certificate and is line with UDIN and there is no diversion of fund. 3. The notice period of 30 days was waived as per the Delegation of Power

III. [redacted]

<table>
<tr><th>Sr. No.</th><th>CNK Observations -[redacted]</th><th>Management Response</th></tr>
<tr><td>A.</td><td><u>Modification of Pre-disbursement condition:</u>

In the 130th Board Meeting on 19th December 2020 a proposal for sanction of Term debt of Rs. 150 crores to the borrower was approved by the Board subject to a condition that any modification in the terms and conditions may be made with the approval of the Board only, however the following modification pertaining to Extension of timeline (EOT) was made in the amended loan agreement dated 04th March 2021 without the approval of the Board.

<table><tr><th>Original Condition</th><th>Amended Condition</th></tr><tr><td>Borrower should have received Extension of Timeline (EOT) approval from NHAI related to project milestone which should result in extension in commissioning of the project on or before 31st July 2021.</td><td>The Borrower shall have received on or prior to July 31, 2021, the extension of timeline approval from the Concessioning Authority in relation to Project milestones thereby resulting in extension in the date of commissioning of the project.</td></tr></table>
As per term of original sanction, the borrower, before the initial disbursement, should have submitted the extension of timeline for commissioning of the project upto 31 July 2021.

However, the amended term captured in the loan agreement indicates that such extension of timeline can be obtained by the borrower upto 31st July 2021.

Though the revised terms have been duly captured as pre-disbursement condition, but the manner in which it has been captured does not have the meaning of pre disbursement condition. This is because the extension which was required to be obtained on an upfront basis i.e., prior to disbursement (as per original condition) has been modified to convey the meaning that such extension in commissioning can be obtained upto 31st July 2021</td><td>The loan account was sanctioned by the PFS Board in its meeting dated 20th December 2020 in the consortium lending lead by [redacted] Ltd and there were 2 lenders [redacted] sanctioned the loan to the Borrower with common terms and conditions. Project has achieved Provisional COD on 31st Jan 2022 and final PCOD has been completed in 8th June 2022. Final COD is expected by end of October 22.

For any term debt finance under construction lending, stipulation of SCOD is an essential condition to estimate financial viability and fixing the repayment dates. Since at the time of PFS sanction in Dec 2020, SCOD date of 18th Nov 2020 was expired, PFS had stipulated proposed revised SCOD and NHAI letter for COD extension as pre disbursement condition in order to validate the proposed revised SCOD.

PFS received NHAI letter for COD extension within 5 days of PFS Board sanction in which SCOD was extended for 6 months (i.e. 18th May 2022) from original SCOD date of 18th Nov 2020 and based on the same Lead FI communicated the approval of revised SCOD of 6th June 2021. Before signing of agreement, the pre disbursement condition for obtaining COD extension from NHAI was complied and hence there is no impact of any nature in either case (Interpretation). PFS Board sanction condition was complied before signing of facility agreement itself. This issue has been explained to RBI also.

As per ex-IDs resignation letter, the concern is related to shifting of a condition from pre-disbursement conditions to other condition resulting in disbursement without compliance of such condition. Thus, it is evident that pre-disbursement condition was captured as pre-disbursement condition only in the loan agreement and the condition has been complied by the Borrower. Allegation of Ex Independent Director is incorrect.</td></tr>
</table>

Sr. No.	CNK Observations - [redacted]	Management Response
	(amended condition). Further on examination of the documents it was noticed that the borrower has received the consent for extension of commissioning only upto 18 May 2021 i.e, 180 days from the scheduled completion dated (19 November 2020) as per NHAI extension letter dated 24 December 2020. It is also important to note that the borrower vide email dated 10th February 2021 has informed PFS regarding SCOD extension approved by senior lende[redacted]upto 06 June 2021. PFS has proceeded with the disbursement on 10 June 2021 amounting to Rs 13.13 crores having knowledge of the fact that the EOT extension was only upto 18 May 2021 and SCOD extension was only upto 06 June 2021. However, the Company vide file no. PF[redacted]DP2214001/Monitoring/ dated 03rd November 2021 has extended the timeline of SCOD to 31st December 2021 from 06th June 2021 and for receipt of extension of timeline (EOT) for project milestone/Provisional COD (PCOD) approval from NHAI on or before 31st March 2022. Thus, the disbursement in June was made beyond the available extension of timeline and SCOD was extended after disbursement RBI had also enquired with the Company regarding the modification of the terms and conditions in the pre disbursement conditions as explained above to which company has responded Response provided by Company to RBI in its email dated 20th September 2022 have been attached herewith as Exhibit XXX. The above modifications have also been highlighted by Board of Directors in its 140th Board Meeting held on 29 September 2021, wherein they have stated as below. "The Board pointed out that when the instant proposal was approved, the Board has desired that any modification in terms and condition in the instant project shall be approved by the Board and enquired about whether there has been any deviation granted in the instant account in the conditions as	Also, basis the video recordings of the Board meeting dated 29th September 2021, CRO has clearly confirmed to Board that a condition has been shifted from PDC to other conditions. The same has not been captured by CNK in their report while drafting the observation. It is to mention that *due to this incorrect representation by CRO, the Board was misled to take incorrect decision towards non-compliance of Board directives in the account.* Subsequently, the Internal Auditor has also confirmed the incorrect representation by the CRO in the Risk Report. Further, with respect to language of Loan Agreement, please note that SCoD extension approval by NHAI and Lead FI was already in place even before execution of loan agreement by PFS and condition was accordingly drafted by LLC and circulated by lead bank [redacted] and the stated condition was clearly captured as a pre- disbursement condition only. Therefore, interpretation of CNK is erroneous. Legal opinion has been obtained from one of the leading LLC firms, [redacted]which clearly mentioned that no disbursement condition was shifted. The legal opinion has been shared with CNK for review purposes. (refer **Exhibit 3A**) In regard to disbursement dated 10th June, 2021, the disbursement was made in line with LCN issued Lead FI as per the terms of Loan Agreement. (refer **Exhibit 3B**). The SCoD extension was not a subsequent disbursement condition. In the consortium meeting dated 28th May 2021 (other lenders are RBL, IIFCL and Tata Cleantech), it was discussed that the SCOD of the project was 6th June, 2021 and present progress of the project is about 72% and Borrower has requested for further 6 month extension in COD. In the consortium meeting dated 28th May 2021, it was agreed that in the interest of the project interim extension in SCOD shall be considered till 26th Aug 2021 and again the reassessment of the SCOD shall be done in July/ August 2021 based on Covid situation. Therefore, in the

Sr. No.	CNK Observations - [redacted]	Management Response
	approved by the Board. The Board was informed that the as per the sanctioned terms, the condition related to extension of timeline from NHAI was stipulated as pre disbursement condition, however, in the loan agreement the condition has been stipulated under the condition related to time line extension which is not a pre-disbursement condition". The Company had obtained legal opinion (Refer Exhibit IIIG) in relation to above matter wherein the lawyer has concluded stating that "the condition pertaining to extension of commissioning of the project as stipulated in the sanction letter has been appropriately captured in the facility agreement". However, we believe that the legal opinion is not adequately clarifying the above matter.	meeting, all lender acknowledged and noted the request of Borrower for disbursement so that project progress is not hampered and agreed to continue to support the project pending reassessment of extension in SCOD based on covid situation. The minutes of consortium meeting dated 28th May 2021attached as **Exhibit 3C**. Further as per the facility agreement the availability period for drawl of fund was till 6th December 2021 (i.e. 6 month from SCOD) and therefore the disbursement made by PFS and other consortium lender is within period defined in the facility agreement. It is to be noted that Lead FI and other lenders disbursed total amount of Rs 20 cr (in which PFS' share Rs 13.13 cr) in TRA based on LCN issued on 8th June 2021, pending SCOD extension. As per LLC opinion received, Lead FI has issued the LCN certifying compliance of pre disbursement conditions as per the provisions of the Facility Agreement. Lead FI granted SCOD extension on 26th July 2021 based on the consortium decision in July 2021. PFS Board also extended SCOD till 31st December 2021 vide its meeting dated 29th Sep 2021. As on date, Project has achieved COD in January 2022 and annuity payment from NHAI has started. The account is standard and there was never any overdue in the account in past. **Financial impact on PFS loan account** Based on the above explanation, where the condition of Board have been ensured in the spirit of the language, there is no financial impact for this loan account w.r.t. CNK observation.
B.	Delayed compliance with Board Directive: In 140th Board Meeting conducted on 29th September 2021 the management of the company was directed by the Board to conduct the enquiry and submit	The draft Minutes of 140th BM held on 29.9.21, were finalized on 9.11.21. Therefore the required actions were not placed due to fact that board was not constituted till April, 2022. Thereafter the status on this

<table>
<tr><th>Sr. No.</th><th>CNK Observations - [redacted]</th><th>Management Response</th></tr>
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the report relating to the modification made in terms and conditions without the prior approval of the Board.

Given below is the relevant BOD extract for the above direction of the board:

"The Board expressed its concern over the change in the condition approved by the Board in the agreement(s). The same amounts to a change without the approval of the Board. The management may bring the complete details to the Board in this regard by 31st October 2021. If the Board directives were not followed in the instant case, then responsibility for the same be fixed and necessary action should be taken by MD & CEO."

Internal Auditors have also in their Internal Audit report for Quarter 3 of FY 2021-22 mentioned the below observations:

Pre-Disbursement Condition of [redacted] was presented as condition related to Timeline extension in the agenda note (comments of risk group section) of 140th Board Meeting dated 29th September 2021:

The borrower shall have received on or prior to 31st July 2021, the extension of timeline approval from the concessioning authority in relation to project milestone thereby resulting in extension in date of commissioning of project. It is to be further noted that as against the requirement of board submit report on the reasons for above modification (without approval) by 31st October 2021, no report were submitted as on the date of audit i.e., 20th February 2022.

The observation of internal auditor is referring to the risk report by CRO, which has been termed as comments of risk group the extract of risk report is in below table.
<table><tr><td>Pre-disbursement condition</td><td>Condition relating to timeline extension</td></tr></table>
</td><td>
was placed to Board in meeting held on 24th May, 2022 and Board took note of the same. (refer Exhibit 3D)

<u>Financial impact on PFS loan account</u>

Based on the above explanation, where the status was submitted to Board on May 24, 2022, there is no financial impact for this loan account w.r.t. CNK observation.
</td></tr>
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<table>
<tr><th>Sr. No.</th><th>CNK Observations - [redacted]</th><th>Management Response</th></tr>
<tr><td></td><td><table><tr><td>Borrower should have received extension of timeline (EOD) approval from NHAI related to project milestone which should result in extension in commission of the project on or before 31st July 2021.</td><td>Borrower shall have received, on or prior to 31st July 2021, the extension of timeline approval from the concessioning authority in relation to project milestone thereby resulting in extension in the date of commissioning of the project.</td></tr></table>From the record produced before us, there were no such instances/documents that confirms the management had reverted to the board regarding the same in subsequent Board Meetings. Further the management has circulated the agenda of 142nd Board Meeting which was to be held on 22nd January 2022 – however since all the IDs of the company resigned on 19th January 2022, this meeting was not held.</td><td></td></tr>
<tr><td></td><td><u>CNK Conclusion:</u>
Based on the above observations, our conclusion in the matter is as under:
1. Amendments to the Sanction terms and conditions without obtaining approval from the sanctioning
authority (Board of Directors);
2. Disbursement made in violation of approved pre-disbursement conditions (e.g., an extension of the
commissioning period);
3. delayed adherence of the directives by Board of directors;</td><td>Based on the above clarification and justification provided
1. The pre disbursement condition stipulated by the Board has been captured as pre disbarment condition in the facility agreement. Borrower has also complied the required pre disbursement condition as the required NHAI letter for COD extension was received prior to execution of agreement.
2. Disbursement has been done as per the LCN issued by the Lead FI after the impact assessment of extension in COD.
3. Required Action Taken Report has been submitted to Board in May 2022 and delay in submission is on account of non functioning of Board.</td></tr>
</table>

IV. [redacted]

Sr. No.	CNK Observations [redacted]	Management Response
A.	<u>Disbursement done despite Non-compliance of pre disbursement condition</u> The borrower has in his PDC compliance certificate stated that the borrower has infused Rs. 54.63 crores in the project as the equity requirement. The same was substantiated by the borrower vide copy of CA certificate dated January 10, 2012. Upon verification of the CA certificate, we have observed that Rs. 29.63 crores have been introduced by the borrower in the form of share application money and not as equity contribution. It has been observed that such share application money was routed by borrower through borrowed funds and was subsequently written off by the borrower. PFS while disbursement has considered receipt of share application money in compliance with PDC and has made disbursement in the account. The above issue was also highlighted by forensic auditor in his report dated 21 May 2019, as below:	CNK observation is beyond audit review period (01st April 2019- 31st March 2022). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below: The loan account was sanctioned by the PFS Board committee (Committee of Director) in its meeting dated 12 March 2012 (attached as **Exhibit 4A**) in the consortium lending led by Bank of Baroda and there were 2 other lenders (Bank of India, Corporation bank) that have sanctioned the loan to the Borrower apart from PFS with common terms and conditions. Board committee has also approved alignment of terms and condition as per the consortium. The disbursements have been made based on the LCN issued by the lead bank and lead bank has reviewed the compliance of PDC including the equity infusion (attached as **Exhibit 4B**). The share application money continued to get reflected in the subsequent CA certificates obtained by PFS as part of subsequent disbursements. **<u>Financial impact on PFS loan account</u>** This loan account has already been technically written-off post liquidation of project under IBC with balance outstanding (unrecovered amount), therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.
B.	<u>Disbursement done in spite of account classified NPA with another lender and possible evergreening</u> Basis the lead bank [redacted] disbursement advice dated 25 August 2015, disbursement amounting to Rs 2.11 crores was proposed to be made by the consortium. PFS share in this disbursement was determined to be Rs 1.0 crore. However, the account had turned NPA with Bank of India, and hence no disbursement was proposed to be made by them as the account was NPA in its books. PFS has proceeded with the disbursement on 07 September 2015 amounting to Rs 1.00 crore though it was having knowledge of the fact that account had	CNK observation is beyond audit review period (01st April 2019- 31st March 2022). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below: Post declaration of NPA by one of the consortium lenders [redacted], further disbursements were also made by lead banker [redacted] alongwith PFS (attached as **Exhibit 4C**). Disbursement made by PFS was approved by MD&CEO as per the Delegation of Power of Company. Also at the time of disbursement by PFS, borrower was

Sr. No.	CNK Observations [redacted]	Management Response
	turned nonperforming. The subsequent disbursement dine to Borrower despite the account being in overdue position with other banks/ PFS which the Borrower may utilize to regularize its overdue position leading to possible evergreening. Relevant extract of the Lead bank advise is as below: It has also been observed that there were overdue of Rs 2.34 crores in the account at the time of above disbursement, indicating that such disbursement may have been utilised to clear the existing overdue position. This information pertaining to such disbursements has never been informed to the Board. Relevant extract of the disbursement note is as below:	not NPA in PFS's books and the disbursement was done in line with the LCN received from lead bank. Further, PFS declared Fraud in the account and intimated RBI of the same fact on 08th Sept 2020 (attached as **Exhibit 4D**) and the same was informed to Board in its meeting dated 29th Oct 2020 (attached as **Exhibit 4E**). The above CNK observation is factually incorrect. Disbursement against IDC is as per the Board approved financing plan. Interest during construction ('IDC') is part of approved project cost, which is towards the interest to be paid by borrower during construction period. In an under construction project, the borrower does not have any source of revenue to repay the outstanding interest towards the loan. Therefore, IDC cost is a part of loan disbursement to be utilized towards payment of outstanding interest against the loan in the project. This is an established industry practice in project financing, and the IDC cost is already estimated and accounted at the time of sanction. Further, recovery of IDC through disbursement does not qualify as ever greening since PFS has not recovered the dues by sanctioning and disbursing another loan to Borrower. In general parlance, the Evergreening of loan is a term in which a lender tries to revive a loan that is on the verge of default by granting further loans which is not the case in the instant account. Disbursement in the loan account does not pertain to evergreening as PFS had disbursed the loan as per the facility agreement which include break up of estimated project cost including IDC and overall disbursement is within original sanction amount. **Financial impact on PFS loan account** This loan account has already been technically written-off post liquidation of project under IBC with balance outstanding (unrecovered amount), therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.

Sr. No.	CNK Observations[redacted]	Management Response
C.	<u>Disbursement done despite slow progress (based on false site visit reports)</u> PFS has in its disbursement note dated 28th July 2014 stated that an amount of Rs 50 lakhs is being proposed basis the below critical points for consideration: 1. The project is delayed by 2 year and the revised COD is 31st January 2015. Furthermore, delay is expected by 8-10 months. The delay in the project commissioning is mainly on account of delay in first disbursement by[redacted]nd thereafter delay in supply of material due to delay in opening of LC. 2. Lead bank had appointed Lenders Engineer (LE) for monitoring of project by consortium, however it has been observed by consortium that LE is not submitting its report to banks as per timeline agreed. The note further stated that PFS has done independent assessment of project before proposed disbursement. CNK observations on the above are as under: a) The site visit report does not mention the details of personnel who have performed the site visit; b) The site visit report is nether stamped nor signed by the authorised personnel's; c) There was undue haste in disbursement of the funds without obtaining newly appointed Lenders Engineer report for monitoring project progress. The above observations imply that the site visit report was falsely presented, and disbursement was wrongly done basis the above site visit report The matter pertaining to delayed progress have also been discussed	CNK observation is beyond audit review period (01st April 2019- 31st March 2022). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below: The fact that site visits are false is completely incorrect as [redacted] (Jr. Manager) at that time had written to representatives of Kohinoor as a follow up to the site visits done in July 2014 (alongwit[redacted] AVP) (attached as **Exhibit 4F**). Additionally, PFS has flight tickets as evidence to prove that the site visit happened in July 2014 (attached as **Exhibit 4G**). Also, the site visit was voluntarily carried out as a matter of abundant precaution since existing LIE appointed by lead banker was not doing the site visit since last one year (last site visit conducted by LIE in Aug 2013) The disbursement was made on the basis of LCN issued by lead bank (BOB) in line with consortium spirit and approved by MD&CEO as per the Delegation of Power of Company (attached as **Exhibit 4H**). CNK has not understood the matter. As per agreed scope, CNK was required to have preliminary discussions with PFS management on weekly basis which was not done by CNK. Preliminary discussions as per the terms of Engagement letter would have helped CNK in detailed understanding on the matter. **<u>Financial impact on PFS loan account</u>** This loan account has already been technically written-off post liquidation of project under IBC with balance outstanding (unrecovered amount), therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.

Sr. No.	CNK Observations[redacted]	Management Response
	subsequently in the 35th Audit Committee meeting dated 09 November 2015, relevant extract of minutes reproduced as below: "It was informed that the project is under financial distress since last 10-12 months, there is no substantial work at site in last 10-12 months. The company is not able to raise the required equity to mobilize the resources. Further, [redacted] vide Letter no. ID/CPP/PI/358, Dated 21 May 2015 has issued legal notice to the borrower for not making payments to them, and has put a hold on project execution on 14.05.2015. Subsequently due to non- release of payments, BHEL has started the arbitration proceedings. The Committee stated that as the project is under financial distress. PFS appraisal could not identify the risk area which had been identified by another lender and decided not to disburse. The Committee was informed that before sanction, PFS team had enquired with one of the co-lender at that point of time, for reason for not disbursing of loan and accordingly PFS addressed its concern arose after discussion with co-lender in the proposal placed for sanction. The Committee desired that a report may be put up to the Committee in respect of comparison of original cost and cost overrun of the project and validity of the assumptions taken at the time of sanction of project and present status of the project." Subsequently the account has been reported as Fraud by PFS with RBI and the same was informed to the Board in its 129th Board Meeting dated 29 October 2020.	
D.	<u>Disbursement done for clearing of overdues</u> The disbursement note dated 28 July 2014 (as referred to in point 3 above) has mentioned and authorised the below BOB escrow account details for disbursement of the funds.	CNK observation is beyond audit review period (01st April 2019- 31st March 2022). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below: The disbursements were done as per facility agreement, wherein it has been stated that *lender could at their sole discretion deduct from sums to be lent and advanced to Borrower any monies then remaining due and payable by the*

Sr. No.	CNK Observations [redacted]	Management Response
	However, in the subsequent disbursement advise as received from Lead Bank [redacted] it has been brought to notice that the above disbursement amounting to Rs 50 lakhs was conducted to an account other that the designated Escrow account of the borrower which is contrary to the principles of consortium lending and has strongly advised PFS to avoid such practices in future. The relevant extract of the letter is reproduced below: Upon verification of email as stated above and the response of the company to the same, it has been observed that the disbursement of Rs. 50 lakhs were adjusted by PFS against its own interest overdues as per clause 3.2 of the facility agreement dated 31 March 2011. The Company has also obtained confirmation from the borrower prior to disbursement for adjustment of such overdues against its interest. Though this email should have originated from the official email server of the borrower, surprisingly. such confirmations emails were not from the official email ids of the borrower, but from Hotmail domain. There have also been subsequent instances wherein the disbursement amounts have been adjusted against interest dues of the borrower. The key findings of the Forensic Audit report as issued by [redacted] as per which there were serious irregularities in the conduct of the borrower, which have not been into cognisance by PFS. (Also refer Exhibit IVB)	*borrower to lender* (attached as **Exhibit 4I**). The disbursement was approved by the then MD & CEO based on the justification and rationale for project status considering revival plans including cost overrun were under consideration by Consortium. There is no impact of accounts of PFS from the above observation. The above CNK observation is also factually incorrect. Disbursement against IDC is as per the Board approved financing plan. Interest during construction ('IDC') is part of approved project cost, which is towards the interest to be paid by borrower during construction period. In an under construction project, the borrower does not have any source of revenue to repay the outstanding interest towards the loan. Therefore, IDC cost is a part of loan disbursement to be utilized towards payment of outstanding interest against the loan in the project. This is an established industry practice in project financing, and the IDC cost is already estimated and accounted at the time of sanction. Further, recovery of IDC through disbursement does not qualify as ever greening since PFS has not recovered the dues by sanctioning and disbursing another loan to Borrower. In general parlance the evergreening of loan is a term in which a lender tries to revive a loan that is on the verge of default by granting further loans which is not the case in the instant account. It is to be noted that in June 2020, while discussing on the issue of disbursing towards IDC in an another account, the Audit Committee/ Board has not stopped PFS from doing such disbursement and have only directed PFS to record proper justification while doing disbursement in such overdue cases. With regard to Hotmail domain, all communications from [redacted] were from "Hotmail" id and the same domain was used for communication with other consortium members also (including representatives from [redacted] (attached as **Exhibit 4J**)

Sr. No.	CNK Observations-[redacted]	Management Response
		Financial impact on PFS loan account This loan account has already been technically written-off post liquidation of project under IBC with balance outstanding (unrecovered amount), therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.
	CNK Conclusion: Based on the above observations, our conclusion in the matter is as under: 1. The disbursements were made basis CA certificate of equity infusion without exercising appropriate review and monitoring mechanism, such equity infusion in the account has been subsequently written off by the borrower; 2. The false site visit report has been presented in order to facilitate the disbursement; 3. Disbursements are made despite borrower being classified as NPA with other banks and funds have also been disbursed for adjustment of PFS's own interest overdues. 4. Also refer CNK comments on Evergreening below matrix showing loan accounts and observation on page 5-6 of this report.	Based on the above clarification and justification provided 1. Disbursement for capex was done based on LCN issued by the Lead FI 2. Site Visit was done by PFS officials and valid documents are available for the proof of the site visit. 3. Disbursement for recovery of dues was done based on LCN issued by the Lead FI and also based on the right of recovery stipulated in the Facility agreement. 4. Refer PFS response on Evergreening mentioned in the beginning of this art of the report. Disbursement in the loan account does not pertain to evergreening as PFS had disbursed the loan as per the facility agreement which include break up of estimated project cost including IDC and overall disbursement is within original sanction amount.

V. [redacted]

Sr. No.	CNK Observations - [redacted]	Management Response
A.	<u>Possible evergreening of the loan account:</u> Although the relevant authorities approving the disbursement were aware regarding pending compliance of pre-disbursement condition (disbursing more than 90%), the disbursement was duly approved and made to the borrower, the same can be evidenced from the below extract of the disbursement note dated December 31, 2019: "A Meeting was conducted between Officials of PFS Disbursement unit and PFS Monitoring unit to discuss the matter and it was decided to consider borrower's request for Disbursement. In View of the same, instant Request is being considered for payment, pending compliance of pre-Disbursement conditions viz. Payment of PFS overdue, approval of Tariff, pending execution of NREDCAP lease deed with Danu wind, creation of DSRA etc. Accordingly, PFS may disburse Rs. 9.09 crores to the Borrower." It is also to be noted that at the time of said disbursement there were over dues in the borrower account and its group account. Such disbursement as at (quarter end i.e, 31 December 2019) may have been used by Borrower for clearing of critical overdues in the account. The same has also been highlighted by Internal Auditors in their report for quarter 4 of financial year 2019-2020 (Refer Exhibit VA).	At the outset it is clarified that in general trade parlance the Evergreening of loan is a term in which a lender tries to revive a loan that is on the verge of default/in default by granting further loans, which is definitely not the case in the instant account as borne by the facts mentioned below. The loan account was sanctioned by the PFS Board in its meeting dated 13 Nov 2017 considering PFS as sole lender. CNK has not understood the factual position of the observation made by them. The discussion on the disbursement in the loan account was held in 4 RMC meetings held during the period January 2020 to July 2020. Further, PFS' recovery of overdue through IDC disbursement was also discussed in detail in Audit Committee meeting dated 12th June 2020. Audit committee advised extra focus for all such accounts and proper documentation and justification should be recorded before further disbursement in all such accounts. The above advice of Audit committee was recorded in the minutes of Board meeting dated 29 October 2020. The above direction of Board and Audit Committee is being adhered subsequently. Board approved project cost of Rs 225.26 cr includes Rs 9.09 cr. towards WC margin of INR 3.68 cr. and DSRA of Rs 5.41 cr. Proceeds from disbursement were thus, utilised for creation of DSRA of Rs 5.41 cr and Rs 3.68 cr. (refer Exhibits 5A & 5B) was utilized to meet the cash shortfall in the project as there was delayed payment from APSDCL on account of change in political scenario in the state. The disbursement has been made after approval of current MD&CEO delegation of power of Company, based on the justification provided in the disbursement note. As explained in the disbursement note, there was a tariff dispute and the same was subjudice and high court had given interim relief of immediate payment of tariff of Rs 2.43 cr./ unit to be made to the Borrower and APSDCL is in the process of availing loans from [redacted] etc., proceeds of which would be used for clearing RE plant dues. CNK has not presented the full facts in the observation above.

<table>
<tr><th>Sr. No.</th><th>CNK Observations [redacted]</th><th>Management Response</th></tr>
<tr><td></td><td></td><td>As on date, APSDCL has agreed to High Court to make the payment as per the original PPA terms and Government of India has launched the Late Payment Surcharge Scheme (LPSS) under which [redacted] and [redacted] have started disbursing the overdues in the project TRA in monthly instalments. Borrower has also already received 2 instalments amounting to INR 15.31 cr. in the last 2 months.

<u>Financial impact on PFS loan account</u>

As at March 31, 2022, provision for said loan account has been calculated basis the average distress valuation of two valuation reports. No incremental financial impact is there for the said loan account w.r.t. CNK observation.</td></tr>
<tr><td>B.</td><td><u>Extension of availability period:</u>

The proposal for extending the availability period has been approved Vide File no. PFS/DWPPL/DD0706002/Monitoring/02 date 12th December 2019 when the account was under overdue position.

This is important and critical, as changes and modifications regarding "validity period / availability period" have been made vide note which was initiated by credit monitoring team and approved by MD&CE. This has resulted in additional disbursements (out of the undisbursed portion of the sanctioned facility) in the loan account during the month of December 2019, the proceeds of which were utilized to clear the "critical overdue positions" by the borrower.</td><td>CNK has not provided the full facts for rationale of the amendment, which has been explained in PFS response for point number A above.

In lending business, extension of availability is a routine matter more so in infrastructure projects and MD&CEO has been designated as competent authority for the above modification as per the DOA finalized in the board meeting dated 08 Aug 2015. The modification is therefore in line with the board directions.

<u>Financial impact on PFS loan account</u>

As at March 31, 2022, provision for said loan account has been calculated basis the average distress valuation of two valuation reports. No incremental financial impact is there for the said loan account w.r.t. CNK observation.</td></tr>
<tr><td>C.</td><td><u>Non-Compliance of critical pre disbursement conditions:</u>

Disbursements dated 31st December 2019 has been made to the borrower pending compliance of critical pre-disbursement conditions as stated below:

<table><tr><th>S.No.</th><th>Conditions for disbursement beyond 90% of the facility</th></tr><tr><td>1.</td><td>The Borrower shall have created all the Securities in terms of the Clause 3.1A of this Agreement</td></tr></table></td><td>CNK has not provided the full facts for rationale of the amendment which has been explained in PFS response for point number A above.

<u>With regard to compliance for security : As</u> per the disbursement note dated 31st December 2019, it has been indicated that Security was partially complied at the time disbursement. PFS has not extended the time line for pending security. This has been indicated based on the fact that the said project is developed on Govt Revenue Land allotted by State Govt. and the Right of Substitution (which is major comfort) is available with the lenders as NREDCAP (nodal agency for renewable projects in the state of AP) has issued letter dated 10th July 2017 in favour of PFS for Right of</td></tr>
</table>

<table>
<tr><th>Sr. No.</th><th>CNK Observations [redacted]</th><th>Management Response</th></tr>
<tr><td></td><td>
<table>
<tr><td>2.</td><td>The Borrower shall have entered into a Long term PPA for 100% (one hundred percent) sale of power generated from the Project with the state utility at a minimum sale rate of Rs 4.84/unit, to the satisfaction of the Lender. If the PPA is signed at tariff lower than Rs. 4.84/un it, the Lender shall have the right to stipulate additional conditions, including but not limited to decrease in Debt-to-Equity Ratio, as deemed fit by the Lender</td></tr>
<tr><td>3.</td><td>The borrower shall have created DSRA 1 quarter in the terms of this agreement</td></tr>
</table>
The borrower had entered into power purchase agreement (on 31st October 2016) with Southern Power Distribution company of Andhra Pradesh Limited for 23 MW.
As per the sanction terms the project was sanctioned for development, construction and operation of 25.3 MW Wind Based Power Project in Andhra Pradesh. However, the sanction letter (dated 08 December 2016) had specifically stipulated that the disbursement beyond 90%, would be upon borrower having entered into long term PPA for 100% (i.e. 25.3 MW) sale of power generated from the project with the state utility at a minimum sale rate of Rs. 4.84/unit, to the satisfaction of PFS.
However, as per the disbursement note the tariff approval for 2.3 MW sale of power generated from the project was pending approval from APERC.
We have observed that 100% disbursement was made despite being aware of the fact that tariff approval was pending and that all the securities as per clause 3.IA of the agreement were only partially complied. These compliances were stipulated prior to 90% of the disbursement and extension of timelines by management for compliance of such security compliance defeated the purpose of
</td><td>
Substitution. It is to be mentioned that as per the AP Govt Policy mortgage of Revenue Land is not allowed. Therefore, with availability of Right of Substitution, security over land is deemed available in the manner allowed by State Govt.
<u>With regard to compliance of signing of PPA for 100% capacity with minimum sale rate :</u> CNK representation that PPA for entire project capacity was not signed is incorrect. It is to be mentioned that Borrower has executed PPA for entire capacity of 25.3 MW at the time of availing disbursement. Further, as per the PPA signed sale rate was Rs 4.84/unit. Therefore condition for signing of PPA for 100% capacity with minimum sale rate of Rs 4.84/unit was complied at the time of disbursement. The disbursement note dated 31st Dec 2019 highlighted the pending issue was with respect to APERC approval of tariff indicated in PPA, which is summarized below.
Just before commissioning, Company had received APERC consent for 23 MW and post COD, PPA for 2.3 MW (last WTG) was put up for APERC consent as power quota allotted for RE projects across the state for applicable time period had exhausted. However, as PPA was already signed by APSPDCL, DISSCOM appealed on developers' behalf with APERC for procuring the approval.
<u>Compliance with respect to DSRA for 1 quarter</u>
Board approved project cost of INR 225.26 cr includes DSRA of Rs 5.41 cr and at the time of COD. Proceeds from disbursement were thus, utilised for creation of DSRA of Rs 5.41 cr.
<u>Financial impact on PFS loan account</u>
As at March 31, 2022, provision for said loan account has been calculated basis the average distress valuation of two valuation reports. No incremental financial impact is there for the said loan account w.r.t. CNK observation.
</td></tr>
</table>

Sr. No.	CNK Observations - [redacted]	Management Response
	stipulating the conditions in the sanction note.	
	<u>CNK Conclusion</u>: Based on the above observations, our conclusion in the matter is as under: 1. Possible evergreening of the account due to disbursements being made despite overdues in the account by extension of availability period, such disbursement could have been used by borrower to clear the critical overdue positions; 2. Disbursement is made pending compliances of critical pre disbursement conditions like execution of PPA for the entire sanctioned capacity of the project. 3. Also refer CNK comments on Evergreening below matrix showing loan accounts and observation on page 5-6 of this report	Based on the above clarification and justification provided 1. Disbursement for recovery of dues does not qualify for the Evergreening as PFS has done the disbursement within sanction limit. Evergreening of loan is a term in which a lender tries to revive a loan that is on the verge of default by granting further loans, which is not the case in the instant account 2. Complete facts not represented by CNK as mentioned in the clarification above and at the time of disbursement Borrower had executed PPA for entire capacity. 3. Refer PFS response on Evergreening mentioned in the beginning of this art of the report. Disbursement in the loan account does not pertain to evergreening as PFS had disbursed the loan as per the facility agreement which include break up of estimated project cost including IDC and overall disbursement is within original sanction amount.

VI. [redacted]

<table>
<tr><th>Sr. No.</th><th>CNK Observations - [redacted]</th><th>Management Response</th></tr>
<tr>
<td>A.</td>
<td>
<u>Disproportionate disbursement of funds:</u>
PFS had sanctioned Rs 196 crores for 40MW solar power project against the project cost of Rs 272 crores in the debt equity ratio of 72: 28.
However as per Lenders Independent Engineers (LIE) Due Diligence Report for November 2018 it was highlighted that overall physical progress along with installed plant capacity were 75% and 50% respectively. It is also expected that the project would be completed in Dec 2018.
It is observed that PFS has restricted the disbursement to Rs 162 crores vide its disbursement note no. DV0705001/03 dated 28th February 2019 wherein a disbursement of Rs 10.67 crores was approved despite knowing the fact that the installed capacity of the project is only 50% achieved.
The matters highlighted by LE regarding project completion in its report for November 2018 has been overlooked by PFS in its disbursement dated 28 February 2019.
Had the terms of original sanction been followed, the actual disbursement should have been restricted as under:
<table>
<tr><td>Particulars</td><td></td></tr>
<tr><td>Original Capacity (as per original</td><td>40 MW</td></tr>
<tr><td>Original sanction amount (Rs.)</td><td>196 crores</td></tr>
<tr><td>Installed Capacity</td><td>50%</td></tr>
<tr><td>Proportionate sanction amount basis installed capacity (Rs.)</td><td>98 Crores</td></tr>
<tr><td>Actual disbursement done (Rs.)</td><td>162 Crores</td></tr>
<tr><td>Excess disbursement (Rs.)</td><td>64 Crores</td></tr>
</table>
</td>
<td>
CNK observation is beyond audit review period (01st April 2019- 31st March 2022). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below:
The loan account was sanctioned by the PFS Board in its meeting dated 13 Nov 2017 considering PFS as sole lender.
As on 31st Mar'22, installed capacity was about ~29.80 MW (~75% of the envisaged capacity against 50% as mentioned in the CNK report). Considering 75% capacity installed is for solar module only however, balance of plant and all common infrastructure required for 40 MW has been installed and commissioned. PFS had also provided evidence to CNK that 29.80 MW had been installed (basis CDL minutes for the quarter ended March 2022 via meeting dated 22 June 2022), but still CNK has mentioned the installed capacity at 50% capacity (i.e. at 20 MW) only.
In solar project, out of total project cost estimate of Rs 272.34 crores, the cost estimate of solar module was Rs 130.44 crores (~50%) and therefore by installation of 75% module correspond to Rs 97.83 cr for module and installation of other facilities for entire 40 MW is Rs 142.34 crore. The total expenditure incurred is Rs 240.17 crores. Therefore based on debt equity ratio of 72:28, PFS debt eligibility less of promoter contribution of Rs 76 work out to Rs 164 cores) and PFS total debt disbursement is Rs 162 crores.
<table>
<tr><td>Original Capacity (as per original sanction)</td><td>40 MW</td></tr>
<tr><td>Total project cost approved</td><td>Rs 272 crores</td></tr>
<tr><td>Original sanction amount (Rs.) (DE Ratio of 72:28)</td><td>Rs 196 crores</td></tr>
<tr><td>% Solar module installed (30 MW out of 75 MW))</td><td>75%</td></tr>
<tr><td>Balance of plant and other facilities installed 940 MW)</td><td>100%</td></tr>
<tr><td>Total expenditure incurred</td><td>Rs 240 crores</td></tr>
<tr><td>Promoter contribution infused</td><td>Rs 72 crores</td></tr>
<tr><td>PFS loan eligibility based on the above</td><td>Rs 164 crores</td></tr>
<tr><td>Actual disbursement done (Rs.)</td><td>Rs 162 crores</td></tr>
<tr><td>Excess disbursement (Rs.)</td><td>NA</td></tr>
</table>
</td>
</tr>
</table>

Sr. No.	CNK Observation[redacted]	Management Response
	Further, basis the documents produced before us, we have not been able to verify the supporting and basis of the documents of the amount mentioned by the management in its response.	Thus, PFS aggregate disbursement is within the debt equity ratio based on the actual project expenditure incurred. This calculation is provided based on the invoices of module supply contract and BOP contract and other soft cost expenditure as per the CA certificate. Basis of CNK calculation is technically incorrect and deviating from the genesis of development and commissioning of solar project. In the infrastructure projects disbursements governed by sanctioned limit and utilisation is based on the promoter contribution and depending upon the payment terms defined in the EPC contractor. Therefore in any infrastructure projects disbursement is not in proportion of physical progress that point of time and these facts can be verified with other projects which are under construction phase. Initial disbursement of Rs 151.33 cr (at one go) was made on the basis of invoices received from the contractors which were reviewed by the LIE and accordingly drawdown certificate was issued (refer **Exhibit 6A**). Additionally no stress has been observed in the account at the time of disbursement (refer **Exhibit 6B**). Additional disbursement of Rs 10.67 cr was utilized partly for the creation of DSRA (Rs 6.56 cr) as required to be created for the facility and payment towards IDC (Rs 4.11 cr) for the construction period upto Jan'19 (COD date). As per the financing plan approved by the Board, the DSRA component was Rs 6.56 cr and IDC component was Rs 5.18 cr. Therefore, the disbursement was as per approved financing plan. Post disbursement, PFS had also received the End-use certificate from the Borrower showing utilization of the PFS' debt (refer **Exhibit 6C**). It is to further mention that keeping in view the delay in the project construction, PFS stopped further disbursements in the project beyond INR 162 ~~cr and subsequently~~ as there was no further progress in the project, PFS has short closed its loan from INR 196 cr to INR 162 cr. As on 31st Mar'22, the outstanding loan amount was INR 140.31 cr. CNK has also not mentioned the fact that PFS has shortclosed the loan at 162 cr. and have just mentioned that PFS has restricted the disbursement to Rs 162 cr. (refer **Exhibit 6D**) Therefore, the observation of CNK that the disbursement should have been restricted to Rs 98 Crs is factually incorrect.

<table>
<tr><th>Sr. No.</th><th>CNK Observations [redacted]</th><th>Management Response</th></tr>
<tr><td></td><td></td><td>
<u>Financial impact on PFS loan account</u>
As at March 31, 2022, provision for said loan account has been calculated basis the discounted future cash flow with 29.80 MW capacity. No incremental financial impact is there for the said loan account w.r.t. CNK observation.
</td></tr>
<tr><td>B.</td><td>
<u>Disbursements done pending security creation:</u>
An amount of Rs. 10.67 crores have been disbursed on February 28, 2019. The status for compliance of the following were, however, not available:
<table>
<tr><th>S.No</th><th>Security</th></tr>
<tr><td>1.</td><td>Mortgage and exclusive charge on land acquired by [redacted]</td></tr>
<tr><td>2.</td><td>Assignment by way of Security Interest/ charge on all the rights, title, interest, benefits claims and demands whatsoever of the borrower in:
a) the Project Documents,
b) clearances related to the project,
c) in any other LC/guarantee etc.,
d) Insurance proceeds.</td></tr>
</table>
As per original sanction the timeline for above security creation was available till six months from initial drawdown. The initial drawdown was approved on 26 March 2018. Basis the initial sanction condition the time limit for compliance was available up to September 2018. The above compliance was further extended to 31 May 2019 vide internal note dated 18 December 2018. Though the timelines for security creation were extended, PFS had already disbursed funds amounting to Rs 162 crores pending critical security creation on 28 February 2019. This has resulted in imperfect security creation at the time
</td><td>
As per the Delegation of Power of Company, MD &CEO is competent authority for amendment in terms and condition including timeline extension for security creation.
The timeline for the security mentioned above (mortgage and assignment) was extended till 31 May 2019 and PFS has disbursed within the timeline available (last disbursement by PFS was on 28 Feb 2019 with prior approval from MD&CEO which is the competent authority as per BoD delegation. Hence, the observation of CNK is factually incorrect.
In the instance loan account, as per minutes of board meeting dated 08 Auf 2015, MD&CEO was authorised to approve and amend condition related to time line extension. The above mentioned clauses were duly approved through current MD&CEO (after due deliberation and justification proposed by designated department after reassessment by Risk on account of delay in transfer of title from the land aggregators), hence the same were in line as per approved DOA.
Please refer to Exhibit 6E for details on the justifications proposed to CMD prior to his approval
<u>Financial impact on PFS loan account</u>
As at March 31, 2022, provision for said loan account has been calculated basis the discounted future cash flow with 29.80 MW capacity. No incremental financial impact is there for the said loan account w.r.t. CNK observation.
</td></tr>
</table>

Sr. No.	CNK Observations - [redacted]	Management Response
	of disbursement.	
C.	Weak monitoring controls (Incomplete information in UDIN): From the records produced before us, borrower has submitted Chartered Accountants (CA) certificate dated 08 May 2019 to PFS wherein the CA has duly certified the expenditure incurred and promoters' contribution towards the company. (The extract of the certificate is as given below) Upon verification of the UDIN on ICAI portal it was seen that the amount entered on UDIN portal was only towards expenditure incurred, however the amount of contribution by promoters has not been entered in UDIN creation. This is not in line with the certificate provided by the Chartered Accountant as in his certificate he has certified the expenditure incurred as well as promoters' equity infusion in the borrower company. The above discrepancy in the certificate as issued by CA and the details of the certificate as available on UDIN portal, reflects a gap in the monitoring mechanism of the Company as the same reflects on the authenticity of the certificate obtained.	As per the expenditure certificate, the total amount of expenditure matches with details in UDIN and promoters contribution is also part of the sources of funds for capex purposes. Hence promoters contribution is already covered in UDIN (as a total amount) (refer **Exhibit 6F**). CNK interpretation of the issue is incorrect. However, CNK's observation has been noted and it shall be ensure in the future all CA certificates shall be verified with UDIN on ICAI portal. **Financial impact on PFS loan account** As at March 31, 2022, provision for said loan account has been calculated basis the discounted future cash flow with 29.80 MW capacity. The certificate was issued by CA, which is evidenced since details of certificate is available on ICAI UDIN portal. No incremental financial impact is there for the said loan account w.r.t. CNK observation.
	CNK Conclusion: Based on the above observations, our conclusion in the matter is as under: 1. Compared to the plant's installed capacity and overall physical progress, excessive funds amounting to Rs 64 crores have been disbursed; 2. Disbursement made despite pending security creation	Based on the above clarification and justification provided: 1. PFS aggregate disbursement is within the debt equity ratio based on the actual project expenditure incurred. Basis of CNK calculation is technically in correct and deviating from the genesis of development and commissioning of solar project. Further CNK has considered 50% capacity commissioned against 75% capacity commissioned.

Sr. No.	CNK Observations - [redacted]	Management Response
	for the facility; 3. Weak monitoring controls of PFS on CA certificates provided by the borrower regarding expenditure incurred and the equity infusion by the promoters.	2. the modification in terms and condition is within power of MD &CEO and delay in security creation with reason thereof (which was beyond promoter control) were reported to RMC and Board. 3. Total amount of expenditure is matching with details in UDIN and promoters contribution is also part of the sources of funds for capex purposes and therefor, CNK allegations are not correct.

VII. [redacted]

Sr. No.	CNK Observations [redacted].	Management Response
A	<u>Disbursements done for clearing of overdue positions:</u> Although the borrower was not having any significant improvement in Physical and financial progress, funds were continuously being released for adjustment against the overdue as given in below table. As can be seen below and also as mentioned in the disbursement notes the disbursements are done for the purpose of clearing of interest overdues in the borrower account. Such disbursement has also led to clearing of critical overdue positions of the borrower. PFS has also disbursed such amounts without ascertaining the compliance of pre disbursements conditions prior to each disbursement. The same has also been mentioned in the disbursements note as below: "As per the delegation of power MD & CEO is authorised to approve disbursement pending compliance of pre disbursement conditions. In the absence of LCN the status of PDC could not be ascertained viz., CA certificate, borrowers certificate including confirmation regarding clearances and approvals and financial covenants, status of technical and economic clearance by central electricity authority, environment management plan, execution of PPA for at least 50% power etc." The borrower was subsequently classified as NPA in 31st March 2018 there is also a write off subsequent to OTS in the account.	CNK observation is beyond audit review period (01st April 2019- 31st March 2022). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below: The loan account was sanctioned by the PFS Board (in its meeting dated 11th February 2014 in the consortium lending lead by [redacted] and there were 2 other lenders [redacted] which have sanctioned the loan to the Borrower with common terms and conditions **(Exhibit 7A)**. The above CNK observation is factually incorrect. Interest during construction ('IDC') are part of Board approved project cost which is based on interest to be paid by borrower during construction period. In a project under construction, the borrower does not have any present source of revenue to repay even the outstanding interest towards the loan. Therefore, IDC cost is a loan disbursement towards payment of outstanding interest against loan. This is an established industry practice in project financing, and the IDC cost is already estimated and accounted at the time of sanction. Accordingly, PFS recovered the interest dues from the sanctioned loan amount. Interest recovered by PFS is within approved IDC limit (27% of Rs 217 crores of IDC) **(Exhibit 7B)**. The disbursement has been made after the approval of MD&CEO as per the Delegation of Power of company. The fact has not been presented to its completeness as in the disbursement note, PFS has clarified the basis for disbursement in overdue accounts referring to facility agreement which is represented below. For disbursal against disbursement number 9, please refer LCN dated 30 July 2016**(Exhibit 7C)**. *As per clause number 2.8 of the facility agreement, the lender can deduct from sums to be lent to Borrower the amount of obligations. The sums so deducted or adjusted shall be deemed to be disbursement made by the lenders.* CNK has not referred to the above mentioned clause, which is there in the disbursement documents provided by PFS for review.

Sr. No.	CNK Observations [redacted]	Management Response
		Further, recovery of IDC through disbursement does not qualify as ever greening since PFS has not recovered the dues by sanctioning and disbursing another loan to Borrower. It is to be noted that in June 2020, while discussing on the issue of disbursing towards IDC in an another account, the Audit Committee/ Board has not stopped PFS from doing such disbursement and have only directed PFS to record proper justification while doing disbursement in such overdue cases. It is also pertinent to mention that PFS along with Lea[redacted]) and other co-lenders made many efforts for resolution of stress in the account. In this regard discussions were held wit[redacted]. Meetings were also held with the Govt. of Ar. Pradesh seeking their assistance in implementing change in Management. Subsequently. Govt of Ar. Pradesh wrote a letter to JS, MoP, GoI regarding handing over the project to a central PSU. **Financial impact on PFS loan account** This loan account has already been technically written-off post settlement of loan under OTS, which was approved by Board, with balance outstanding, therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.

Sr. No.	CNK Observations - [redacted]	Management Response
	CNK Conclusion: Based on above observation, our conclusion in the matter is as under: 1. Disbursements have been made to clear the overdue positions of the borrower with company. The account has subsequently turned NPA as on 31 March 2018 and written off in FY 2020-21; 2. Disbursements for purpose of clearing of interest overdues and approval of the same by the management reflects on the inherent credit risk of the borrower and also misuse of authority by the management. This amounts to disbursement for the purpose of evergreening of the loan account; Also refer CNK comments on Evergreening below matrix showing loan accounts and observation on page 5-6 of this report 3. Disbursements made without receipt of LCN from the lead ban[redacted] 4. In respect to the disbursements approved vide date 29th June 2016 and 26th September 2016 we are unable to ascertain whether the disbursement was done in TRA accounts of the Borrower; 5. Compliance of pre-disbursement conditions for the above disbursement are not verified by Company.	Based on the above clarification and justification provided 1. Disbursement has been done based on LCN issued by Lead Bank and as per the right stipulated in the Facility agreement. 2. Disbursement for recovery of dues does not qualify for the Evergreening as PFS has done the disbursement within sanction limit without sanction of additional loan. Evergreening of loan is a term in which a lender tries to revive a loan that is on the verge of default by granting further loans, which is not the case in the instant account. Refer PFS response on Evergreening mentioned in the beginning of this art of the report. Disbursement in the loan account does not pertain to evergreening as PFS had disbursed the loan as per the facility agreement which include break up of estimated project cost including IDC and overall disbursement is within original sanction amount. 3 & 4. As mentioned, the disbursement is in line with facility agreement 5. The disbursement is in line with LCN issued by the lead/ in line with facility agreement.

VIII. [redacted].

Sr. No. [redacted]	CNK Observations[redacted]	Management Response
A.	<u>Extension of Timelines for commitment and draw down conditions:</u> As per clause 6. Conditions precedent to commitment and drawdown of the facility agreement dated 30th March 2011 following conditions were required to be complied prior to commitment and disbursement The company has made several disbursements from 27th September 2011 to 18th June 2015 amounting to Rs. 173.64 Crores. The above pre-commitment and pre-drawdown conditions have been extended by the company along with the lead bank on a recurring basis and pending compliance disbursements have been made. The company has disbursed 86.50% of the total sanctioned amount upto 18th June 2015 without complying the above conditions stipulated as per the facility agreement. Below are the extracts of internal note for approval of timeline extensions of the following pre- commitment and pre-drawdown conditions:	CNK observation is beyond audit review period (01st April 2019- 31st March 2022). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below: The loan account was sanctioned by the PFS Board in its meeting dated 01 March 2011 (refer **Exhibit 8A**) and cost overrun facility was sanctioned by PFS Board in its meeting dated 16 March 2016 (refer **Exhibit 8B**). Loans were sanctioned under the consortium lending led by SBI and there were 18 lenders which had sanctioned the loan to the Borrower with common terms and conditions. As per minutes of Board meeting, CMD or his authorized representative was authorised to approve and amend general terms and conditions including special conditions – pre ~~commitment/pre-disbursement~~ and other conditions of debt sanction as may be necessary. Further as per the Board resolution dated 27 June 2013 (**Exhibit 8C**), Board transferred all the power of CMD given by the Board to MD & CEO. The terms and conditions mentioned in the CNK observation were duly approved through MD&CEO (after due deliberation and justification provided), hence the same were in line as per Delegation of Power of Company. (refer **Exhibits 8D and 8E**). The rationale for the amendment, based on the consortium decision, have been explained in the approval note shared with CNK, however, these facts have not been brought out by CNK in its report. It is to be noted that while sanctioning the power project, these conditions ~~are required complied~~ by the Borrower within certain timeline as approved by the Board after the first disbursement. In the instant case, timeline extension were done for completion of railway infra, O&M arrangement, transmission line arrangement, land acquisition for facility other than main plant etc as these were required to be completed before start of operation and SCOD has been extended due to multiple reasons at that point of time. These amendments were done by then PFS competent authority as per the delegation of power (refer **Exhibit 8E**) of the Company and based on the decision of consortium and these business decisions have been taken in the interest of the project based on the prevailing market dynamics. Further, these management-~~approved~~ amendments have been informed to the Board for noting purpose in its quarterly meetings. (refer **Exhibit 8F**).

Sr. No. [redacted]	CNK Observations [redacted]	Management Response
		<u>**Financial impact on PFS loan account**</u> This loan account has already been technically written-off post liquidation of project under IBC with balance outstanding (unrecovered amount), therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.
B.	<u>Disbursement without obtaining Lead Bank Confirmation Note (LCN) and pending compliance of Pre-Disbursement conditions:</u> An additional loan of Rs. 51 crores was sanctioned for cost overrun to [redacted] vide 76th board meeting on 16th March 2016. As per disbursement note No. DA06010002/01 dated 19th October 2016 an amount of Rs. 15.30 crores was approved for disbursement pending compliance of pre-disbursement conditions and without any intimation from the lead bank for disbursing such amount. The above disbursement has been made by the company for the below purpose: i) Adjustment towards interest overdues. ii) Disbursement in TRA account towards TDS to be paid by Borrower. iii) Disbursement in TRA account towards interest for delay in payment of TDS. iv) Disbursement in TRA account towards Corpus fund for critical payments. In our view, the company should have received the disbursement instructions from the lead bank in	CNK observation is beyond audit review period (01st April 2019- 31st March 2022). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below: The above CNK observation is factually incorrect. Disbursement against IDC is as per the Board approved financing plan and the IDC has not exceeded the capping limit in the instant loan account. Interest during construction ('IDC') is part of approved project cost, which is towards the interest to be paid by borrower during construction period. In an under construction project, the borrower does not have any source of revenue to repay the outstanding interest towards the loan. Therefore, IDC cost is a part of loan disbursement to be utilized towards payment of outstanding interest against the loan in the project. This is an established industry practice in project financing, and the IDC cost is already estimated and accounted at the time of sanction. The approval for cost overrun via board meeting dated 16 March 2016 (refer **Exhibit 8B**) was mainly for funding the IDC amounting to INR 24.52 cr. in the project. (out of total disbursement of INR 51 cr., remaining was to be inserted into corpus fund as per instructions from lead bank) (refer **Exhibit 8G**). Accordingly, PFS recovered the interest dues from the sanctioned loan amount. Lead Bank vide email dated 04 Oct 2016 has communicated that Lenders shall disburse funds for functioning corpus fund as per sharing decided by Lead Bank. Corpus fund amount has been fixed by SBI and circulated to all the lenders. Accordingly, lead bank has requested entire consortium to disburse the amount in the corpus fund in which PFS share was finalized (refer **Exhibit 8H**). <u>**Financial impact on PFS loan account**</u> This loan account has already been technically written-off post liquidation of project under IBC with balance outstanding (unrecovered amount), therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.

Sr. No.	CNK Observations - [redacted]	Management Response
	from of LCN. However, the company has Suo-moto disbursed the above funds to the borrower	
C.	<u>Disbursement without complying the security creation condition</u> As per disbursement note No. DA06010002/01 dated 19th October 2016 an amount of Rs. 15.30 crores has been approved for disbursement, inspite of the fact that as per amended PFS sanction, Corporate Guarantee and undertaking are exclusive securities against PFS loan, the same have been issued in favour of all lenders of consortium. The same has also been highlighted by the Company secretary in the security status report dated 18th October 2016. However, company has provided for disbursement without taking cognisance of the below anomaly in security creation	CNK observation is beyond audit review period (01st April 2019- 31st March 2022). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below: The loan agreement for the cost overrun did not have a provision of Corporate Guarantee and specified undertakings for all the consortium lenders. Extract of the loan agreement is produced as below (refer **Exhibit 8I**). The Corporate Guarantee was agreed to be provided to PFS on a bilateral basis for cost overrun facility. The security confirmation given by the Company Secretary stating that the Corporate Guarantee and the undertakings have been provided to the entire consortium lenders is for the Original facility and not for the overrun facility (refer **Exhibit 8J**). **<u>Financial impact in PFS loan Book</u>** This loan account has already been technically written-off post liquidation of project under IBC with balance outstanding (unrecovered amount), therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.
	<u>CNK Conclusion:</u> Based on the above observations, our conclusion in the matter is as under: 1. Disbursements has been approved to the borrower by frequently extending the timelines for complying certain pre-commitment and pre-disbursement conditions for drawdowns; 2. Disbursements were made in account on 'suo-motto basis' without the receipt of instructions in form of LCN from the lead bank.	Based on the above clarification and justification provided 1. As per the delegation of power of Company, MD &CEO is competent authority for providing timeline extension and amendment in terms and condition and these modifications were made based on consortium decision and communication received from Lead FI (SBI). 2. Disbursement for IDC and corpus fund was done based on consortium decision and instruction issued by the Lead FI / in line with facility agreement.

IX. [redacted].

Sr. No.	CNK Observations [redacted]	Management Response
A.	<u>Disbursements done for clearing of overdue positions</u> Although the borrower was not having any significant physical progress of the project, funds were continuously being released for adjustment against the Interest overdue. As can be seen from above, the disbursements made and as confirmed in the respective disbursement notes (as per extracts below), the overdue positions of the borrower are being cleared of basis the subsequent disbursements. These disbursements are made only to clear the outstanding interest positions of the Company. Further the progress of the project had been stalled since July 2019 due to the inability of the promoters to infuse the funds. The LE has also certified in their report prior to above drawdowns that there should not be any further disbursement of funds in the account as the expenditure projected by the Company is in excess of the progress achieved by the project. Further the company has also incurred expenses towards IDC in excess of the estimated/budget IDC cost. Despite several observations including the overall progress of the project and objection on further disbursements made by the LE in its report, the company has done subsequent disbursements of Rs. 19.75 Crores (as per table above) for adjustments of its own interest overdues. The Company, also, at its own discretion has proceeded with these IDC disbursements inspite of being aware of the fact that the IDC expenditure of the project has already been exceeded. The borrower has been subsequently classified as NPA in May 2020.	The loan account was sanctioned by the PFS Board in its meeting dated 22nd May 2017(refer **Exhibit 9A**). As per minutes of Board meeting, MD &CEO is competent authority for modification as per Delegation of Power of Company. Disbursement against IDC is as per the Board approved financing plan and the IDC has not exceeded the capping limit in the instant loan account. Interest during construction ('IDC') is part of approved project cost, which is towards the interest to be paid by borrower during construction period. In an under construction project, the borrower does not have any source of revenue to repay the outstanding interest towards the loan. Therefore, IDC cost is a part of loan disbursement to be utilized towards payment of outstanding interest against the loan in the project. This is an established industry practice in project financing, and the IDC cost is already estimated and accounted at the time of sanction (refer **Exhibit 9B**). Further, in case where LE ('Lender Engineer') has certified in his report that in support of certain drawdowns, there should not be any further disbursement of funds by PTS India Financial Services Ltd ('PFS') towards this project, it is observed that PFS had requested LE to provide his separate opinion on the IDC portion vide email dated 29 April 2019 (refer **Exhibit 9C**). In response, LIE stated the following (below is the relevant extract): *"This is as per our Letter No.[redacted]/P.011646/BMN/027R0 dated 26th April 2019 sent thru e-mail dated 26th April 2019. Further in continuation to this Letter, Lenders may review the disbursement corresponding **to the IDC portion at their own discretion**"* Similar opinion of LIE has also been obtained by PFS on 29 July 2019 (refer **Exhibit 9D**). No separate opinion or report was obtained during November 2019. As per management, the same LIE opinion of 29 July 2019 was considered, since no progress had been made on the project and LIE has not been appointed for issuance for his report/ certificate during this period. The reasons for project being at standstill and liquidity constraints can also be seen in internal approval letter of MD/ CEO obtained for November 2019 disbursement.

Sr. No.	CNK Observations - [redacted]	Management Response
		Based on the above, it can be seen the IDC disbursement for April, July and November 2019 has been made in line with LIE's consultation. Further, as per the initial/ first disbursement advice dated 24 November 2017, a total cost of INR 42.50 crs had been allotted towards IDC out of the total project cost of INR 408 crs (refer **Exhibit 9B**). Till 28 February 2019, only INR 14.48 crs was incurred towards IDC as stated in the CA certificate. Subsequently, PFS made the following disbursements towards IDC in 2019 for the said project (refer **Exhibit 9E & 9F**): **Please note that CA certificate of 24 May 2019 had been used for the disbursement advice towards 29 November 2019, since the Element 3 of the project was at standstill and the borrower was facing liquidity constraints. In this regard, please note that disbursement in November 2019 was made only towards IDC and an internal approval was obtained from MD/ CEO of the company* (refer **Exhibit 9G**). The discussion was placed in 4 RMC meetings held during the period January 2020 to July 2020. Further PFS recovery of overdue through IDC disbursement was discussed in detail in Audit Committee meeting dated 12 June 2020. Audit committee advised extra focus for all such accounts and proper documentation and justification to be recorded before further disbursement in all such accounts. The above advise of Audit committee was recorded in the minutes of Board meeting dated 29 October 2020. The above direction of Board and Audit Committee is being adhered subsequently (refer **Exhibits 9H, 9I & 9J**). Further, recovery of IDC through disbursement does not qualify as ever greening since PFS has not recovered the dues by sanctioning and disbursing another loan to Borrower. **<u>Financial Impact on PFS account</u>** : This loan account has already been technically written-off post settlement of loan by change in promotor with balance outstanding, which was approved by Board. Therefore, there is no incremental financial impact w.r.t. this loan account on PFS financials.

Sr. No.	CNK Observations - [redacted]	Management Response
B.	<u>Disbursement without compliance to pre-disbursement conditions</u> Nil	CNK has not provided any observations under this clause, hence PFS is not considering this clause as an observation.
	<u>CNK Conclusion:</u> Based on the above observations, our conclusion in the matter is as under: 1. Disbursements made, are in excess of the approved IDC, pending compliance of certain disbursement conditions and at the discretion of the Company, despite the fact that the progress of the project was stagnant; 2. Disbursements for purpose of clearing of interest overdues and approval of the same by the management reflects on the inherent credit risk of the borrower and also misuse of authority by the management. This amounts to disbursement for the purpose of evergreening of the loan account; Also refer CNK comments on Evergreening below matrix showing loan accounts and observation on page 5-6 of this report 3. Though the LE had advised against any further disbursements for the project, several disbursements have been done for interest adjustments ignoring the LE advice.	Based on the above clarification and justification provided 1. Disbursement is within IDC amount in the financing plan approved by the Board. MD& CEO. As per the delegation of power of Company, MD &CEO is competent authority for providing timeline extension and amendment in terms and condition 2. recovery of IDC through disbursement does not qualify as ever greening since PFS has not recovered the dues by sanctioning and disbursing another loan to Borrower. Refer PFS response on Evergreening mentioned in the beginning of this art of the report. Disbursement in the loan account does not pertain to evergreening as PFS had disbursed the loan as per the facility agreement which include break up of estimated project cost including IDC and overall disbursement is within original sanction amount. 3. Disbursement for recovery of dues was done based on the right of recovery stipulated in the Facility agreement. LE had advised against any further disbursement except for IDC. LE had opinioned on IDC disbursement state that Lender may take call on the same.

X. [redacted]

Sr. No.	CNK Observations -[redacted]	Management Response
A.	Non creation of charge for Security: As per Clause 14.2 of Facility Agreement dated 30th September 2019 Following Security required to be Created: a) Priority Charge over the project Receivables of the Borrower of the Borrower from the sale of power from the Project to the Extent of Rs 100 CR. b) Priority Charge on the cashflows/repayments from the monetization/sale/disinvestment of the Borrower's asset to the Extent of 100 CR. c) First Charge on Interest Service Reserve Account (ISRA) created by the Borrower for the Entire sanction limit of the Lender. ISRA will be created within a period of 15 days from the disbursement of facility. d) Demand Promissory Note of entire loan amount in favour of the Lender, which when invoked, the borrower shall make the payment of the entire outstanding dues of the Lender within 30 days of such invocation of the DPN. It is further to be noted that as per Facility Agreement 11.1 Security dated 30th September 2019, the Borrower shall have furnished evidence of creation of the Security including Filing of CHG-1 with the concerned Registrar of Companies upon creation of security. Upon verification of loan documents and ROC portal we have not found the documents for charge creation and filing of the same with ROC. Given below is the ROC portal screenshot for filing of charge wherein PFS charge cannot be validated. Irrespective of the fact that the loan account has been repaid by the borrower, the disbursement has been made in the account pending security creation.	The loan account was sanctioned by the PFS Board in its meeting dated 27th September 2019. [redacted] MD&CEO was excused in the meeting for discussion on the agenda (refer **Exhibit 10A**). As per Delegation of Power of Company, MD &CEO is competent authority for extension in timeline for security creation. In the instant loan account Borrower has created security for item no c) and d) before disbursement as listed in CNK observation. As per the consortium meeting of term lenders of [redacted], dated 10th Oct'19 (extract produced below) (refer **Exhibit 10B**), *it was discussed that the funds position of [redacted] shall be reviewed again subsequently existing lenders of working capital limits may also seek charge on receivables of [redacted] against their facilities extended to Company which are presently unsecured. Term lender agreed to consider the same if required. Further, [redacted] was also advised that PFS may be requested to grant an extension of time for security creation and perfection till March 2020.* Hence, the security for PFS' debt could not be created at that point of time and the same was to be reviewed again by the lenders. The non-creation of security was constantly reported to PFS' RMC and Board on quarterly basis. (refer **Exhibit 10C**). In the meanwhile, the account was closed after receiving the amount due back in 2 years during October 2021. **Financial Impact on PFS account** : As on March 31, 2022, this loan has been fully repaid, therefore there is no financial impact in the loan account.

Sr. No.	CNK Observations [redacted]	Management Response
B.	Rate of Interest not as per the policy of the Company: As per the policy on working capital demand loan Clause 8 the rate of interest to be charged on such loans shall be at least 200 bps higher than the applicable rate of interest on the term debt facility. As per policy PFS Benchmark rate the spread on term debt facilities is determined as per borrowers' internal credit ratings. The internal credit rating for the borrower in current scenario was determined at OR5. Thus, the ROI on term debt facility for OR5 rated borrowers as per policy is PFSBR plus 1% (spread). Basis the above the rate for such working capital loan sanctioned to borrower should have been at least PFSBR+1%+2%. However, the actual rate charged to the borrower for the Working Loan as per the sanction letter is P FSBR+1.5% only (as against PFSBR+3%). The above rate charged is less than the rate chargeable as per PFS approved policy.	As per the Audit committee in its meeting dated 27 Sep 2019, the Rate of Interest factor was considered with following remarks *"The same is in line with PFS policy for working capital demand loan and in line with the medium term facility to other borrowers"*(refer **Exhibit 10D)** Further, PFS has not provided WCDL to any other related party or any third party till date. The rate of interest of the facility and spread applicable was in compliance with PFS' Policy of Working Capital Demand Loan (WCDL). The reference to the Corporate Debt was given in the agenda note as the internal rating model for WCDL was not available and the rating was carried out on Corporate Loan model. The rating so obtained and the spread so applicable based on the same was given only for reference purpose in the agenda note. However, the loan was structured as WCDL only and thus the applicable interest rate was checked as per the WCDL policy only which was in compliance with the policy stated. (refer **Exhibit 10E)**. **Financial Impact on PFS account :** As on March 31, 2022, this loan has been fully repaid, therefore there is no financial impact in the loan account.
	CNK Conclusion: Based on the above observation, our conclusion in the matter is as under: 1. Security perfection has not taken place despite several extensions granted for security creation; 2. Rate of interest charged to the borrower is not as per the policy.	Based on the above clarification and justification provided 1. Timeline for security from first disbursement is as per Board approved condition. As per the delegation of power of Company, MD &CEO is competent authority for providing timeline extension 2. CNK has not presented complete fact of audit committee decision, which states that the rate of interest is in line with rate provided to other borrowers for medium term facility. PFS ROI is as per the policy.

XI. Surana Power Ltd.

Sr. No.	CNK Observations - [redacted]	Management Response
A.	<u>Possible evergreening by disbursals in overdue account</u> Company has disbursed Rs 6.17 crores as per its disbursement note dated 23rd September 2014. The disbursement was done despite critical overdues in the account amounting to Rs 7.07 crores. Further for the purpose of this disbursement the following critical PDC were relaxed in line with lead bank: - Debt Equity ratio - Tie up of Debt and Equity - Coal supply arrangement Power Purchase and power evacuation agreement (compliance timeline extended by 6 months). Subsequently there have been further disbursement vide disbursement note dated 23rd February 2015 for Rs.3.37 crores basis the LCN received from Lead Bank. At the time of such disbursement the account was still in overdue condition for Rs.4.38 crores. The overdues amounting to Rs 3.77 crores were proposed to be adjusted against the said disbursement. Such adjustment may have resulted into clearance of critical overdue positions of the borrower. It is also important to note that the following critical PDC were relaxed only for the purpose of above disbursement: - Debt Equity ratio - Tie up of Debt and Equity The fraud was identified in the borrower account subsequently and the account has been written off to the	CNK observation is beyond audit review period (01st April 2019- 31st March 2022). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below: The loan account was sanctioned by the PFS Board in its meeting dated 12th January 2010 in the consortium lending led by [redacted] and there were 8 lenders consisting of [redacted]) which sanctioned the loan to the Borrower with common terms and conditions (refer **Exhibit 11A)**. As per minutes of Board meeting, CMD or his authorized representative was authorised to approve and amend general terms and conditions including special conditions – pre commitment/pre-disbursement and other conditions of debt sanction as may be necessary in the spirit of the consortium. Further as per the Board resolution dated 27 June 2013, Board transferred all the power of CMD given by the Board to MD & CEO. The terms and conditions mentioned in the CNK observation were duly approved through MD&CEO (after due deliberation and justification proposed by relevant department), hence the same were in line as per Delegation of Power of Company. The rationale for the amendment, based on the consortium decision, have been explained in the approval note shared with CNK, however, these facts have are missing in the observation made by CNK. It is to be noted that while sanctioning the power project, these conditions were required to be complied by the Borrower within certain timeline as approved by the Board after the first disbursement. The amendments were done by PFS as per the delegation of power of the Company and based on the decision of consortium and these business decisions have been taken in the interest of the project based on the prevailing market dynamics. Further, these management-approved amendments have been informed to the Board for noting purpose in its quarterly meetings. Please refer to **Exhibit 11B** for details on the justifications proposed to then MD for his approval. The amendment for extension in timeline for tie-up of equity and thereby relaxation of DE ratio and timeline extension for coal supply agreement were done considering the delay in infusion of equity from PE investor on account of multiple sectoral reasons and cross country hassle for

Sr. No.	CNK Observations - [redacted]	Management Response
	extent of 99% of the disbursed amount. Given below are the extracts of the minutes of 119th Board Meeting and 59th Audit Committee dated 23 October 2019: "The Board was informed that PFS has sanctioned term debt of Rs 120cr (subsequently reduce to Rs 115cr) and disbursed Rs 96.06cr (current principal o/s in the account is Rs 96.06cr) to [redacted] for development of 420MW (2X210) imported coal based thermal power plant in Vadlur village, raichur district Karnataka." The Board was further informed that during the CIRP period, [redacted] Chartered Accountants were appointed to carry out transaction audit for the period FY 2016-2018 in terms of the provisions of IBC 2016 and the auditor were also required to carry out forensic audit for FY 2009-10 to FY 2017-2018. the forensic audit report, inter alia, contained observations such as possible overstatement of value of 35MW power plant (exclusively charged to UCO Bank) source of capital infused was not out of SIL own source, manipulation in award of EPC contracts, diversion of fund through acceptance of third-party liability and manipulation disconnect in operational results. "	signing fuel supply agreement for imported coal to be procured from Indonesia prevailing at that point of time. Regarding the disbursement made by PFS against IDC, the above CNK observation is factually incorrect. Disbursement against IDC is as per the Board approved financing plan and the IDC has not exceeded the capping limit in the instant loan account. It is to be noted that the 2 disbursements mentioned above are in line with the LCN issued by Lead bank [redacted] and it is in spirit of consortium (refer **Exhibits 11C & 11D**). The disbursement was approved by then MD &CEO based on the justification and rationale for project status and at the same time revival plans were under consideration by Consortium. Also, PFS share in total funding was 6.77% (INR 120 cr.). Total IDC capping on the loan account was INR 277 cr. Therefore PFS share in IDC capping was 18.75 cr. In the current case, the disbursement against adjustment of IDC was INR 9.54 cr (refer **Exhibit 11E**). Interest during construction ('IDC') is part of approved project cost, which is towards the interest to be paid by borrower during construction period. In an under construction project, the borrower does not have any source of revenue to repay the outstanding interest towards the loan. Therefore, IDC cost is a part of loan disbursement to be utilized towards payment of outstanding interest against the loan in the project. This is an established industry practice in project financing, and the IDC cost is already estimated and accounted at the time of sanction. Further, recovery of IDC through disbursement does not qualify as ever greening since PFS has not recovered the dues by sanctioning and disbursing another loan to Borrower. It is to be noted that in June 2020, while discussing on the issue of disbursing towards IDC in an another account, the Audit Committee/ Board has not stopped PFS from doing such disbursement and have only directed PFS to record proper justification while doing disbursement in such overdue cases. **Financial Impact on PFS account** : This loan account has already been technically written-off post liquidation of project under IBC with balance outstanding (unrecovered amount), therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.

Sr. No.	CNK Observations [redacted]	Management Response
	CNK Conclusion: Based on the above observation, our conclusion in the matter is as under: 1. Disbursement of funds have been made to clear PFS critical overdue positions by relaxing crucial pre disbursement condition; 2. No red flags noticed during disbursement indicating weak monitoring of the account; 3. Almost the entire amount disbursed has been written off since the amount was declared fraud. 4. Also refer CNK comments on Evergreening below matrix showing loan accounts and observation on page 5-6 of this report	Based on the above clarification and justification provided 1. Disbursement is within IDC amount in the financing plan approved by the Board. MD& CEO. As per the delegation of power of Company, MD &CEO is competent authority for providing timeline extension and amendment in terms and condition 2. Project status have been reviewed as part of disbursement note approved by MD & CEO. 3. It is a fact that the entire amount has been written off and PFS has reported the account as Fraud to RBI. 4. Refer PFS response on Evergreening mentioned in the beginning of this art of the report. Disbursement in the loan account does not pertain to evergreening as PFS had disbursed the loan as per the facility agreement which include break up of estimated project cost including IDC and overall disbursement is within original sanction amount.

XII. [redacted]

Sr. No.	CNK Observations - [redacted]	Management Response
A	<u>Curtailment of CRO Powers</u> As per the terms of sanction the project was proposed to be for 54.95 kms which has been proposed to be descoped by 13.22 kms basis NHAI approval dated 25th January 2021 vide PFS letter F[redacted]/DD1214001/Monitoring/2021-22 dated 28th December 2021. Basis the above modification letter the project was descoped and accordingly project cost was reduced from Rs 1107.36 crores to Rs 803.35 crores. Because of cost reduction and project descoping the term loan of the consortium was reduced from Rs. 471.90 crores to Rs. 336.34 crores of which PFS share was determined at Rs 181.41 crores. As per mechanism for interface between appraisal team and monitoring team with risk team dated 21st November 2016, any change or modification in scope of project affecting the revenue stream required reassessment of the project by the risk team. However, the above requirement was curtailed vide office order number 16/2021 dated 06th October 2021. Such order was issued by HR Head [redacted] basis approval of MD & CEO. Citing the above office order, the proposal for descoping was not submitted to risk team for their vetting and reassessment by stating the below rationale in the approval note: "As per the erstwhile interface mechanism of risk and monitoring team dated November 21, 2016 the instant proposal should be moved through Risk department as the same involves change in scope of the project. However subsequent to the office order no. 16/2021 dated October 6, 2021 all earlier orders, circulars and directions issued relating to roles and responsibilities of CRO gets superseded. Further, CRO has apprised that vide email dated Nov 31, 2021 (in case of security extension approval in another project) that his recommendation is not required for seeking approval from competent authority.	The loan account was sanctioned by the PFS Board in its meeting dated 31st December 2018. As per Delegation of Power of Company, MD &CEO is competent authority for modification in terms and conditions as mentioned in the CNK observation. (refer **Exhibit 12A)** Till June 2019, there was no specific RBI circular regarding roles and responsibilities of CRO and therefore the interface mechanism was earlier created on 21 Nov 2016 by the then MD & CEO based on the need of PFS management that point of time. The objective of the interface mechanism was to identify the list of modifications in the sanction terms and condition to be reassessed by risk team. In May'19, RBI came out with the circular no. RBI/2018-19/184 DNBR (PD) CC.no.099/03.10.001/2018-19 dated 16 May 2019 (refer **Exhibit 12B)** for the requirement of CRO in NBFC for the first time wherein the roles and responsibilities of CRO was clearly defined. Based on the RBI circular, CRO was appointed for the first time by the Board in its 116th meeting in June 2019 and the same roles and responsibility of CRO approved in the Board meeting in June 21. The amendment in the loan account for reduction in project cost and thereby reduction in debt was done by the consortium on account of directive issued by National Highway Authority of India (NHAI) for de scoping (reduction in project length). Basis of the following a) the risk interface approved in Nov 2016 does not cover risk assessment for this amendment; b) CRO role defined as per RBI circular and approved by the Board, does not include the review of the instant amendment;

<table>
<tr><th>Sr. No.</th><th>CNK Observations -[redacted]</th><th>Management Response</th></tr>
<tr><td></td><td>
As per the operational policy of PFS, MD & CEO is authorized to approve the modification in terms and condition of sanction.”
However, vide office order No. 16/2021 dated October 6, 2021 new roles and responsibilities which doesn’t cover the review of proposal for change in scope of the project have been assigned to the CRO on approval of Managing Director suspending all the role and responsibilities assigned vide earlier Orders, Circulars and directions.
Basis of above office note an approval for amendments in terms and conditions pertaining to the approval for descoping the project, extension of SPCD have been approved by Managing Director without passing through risk department Vide File no. PF[redacted]/DD1214001/Monitoring dated December 27, 2021.”
However, the above modification has been executed without obtaining approval of the CRO citing the office order copy no 16/2021 dated 06th October 2021. Such order was issued by HR Hea[redacted] basis approval of MD & CEO. Such order absolved CRO from commenting on the modification of loan related to scoping of the project.
Though the company had appointed a CRO in line with RBI circular, the earlier powers to the CRO curtailed and the proposal for de-scoping which led to amendment in original project cost was not submitted to CRO for re-assessment by the risk team.
Due to such de-scoping the sanction of the project was restricted to Rs. 181.41 Crores. However, PFS debt was not reduced by an equivalent proportion as compared to the reduction in original means of finance. The below table highlights the disproportionate funding wherein PFS share was determined at Rs 181.41 crores instead of 171.14 crores.
<table>
<tr><th>Means of finance</th><th>Original Cost (Rs Cr)</th><th>Revised cost afterde-scoping (Rs Cr)</th><th>Ideal revived cost after de-scoping (Rs Cr)</th></tr>
<tr><td>NHAI</td><td>118.00</td><td>84.10</td><td>85.59</td></tr>
</table>
</td><td>
c) there is no Board directive to put up such type of amendment through CRO for risk assessment
d) CRO himself confirmed via email dated 03 Nov’21,
the amendment in the instant case dated Dec’21 does not require risk assessment and therefore was not required to be put up through the CRO. Further the proposed amendment has been approved by the competent authority as per the delegation of power of Company. Therefore, CNK observation is factually incorrect.
The amendment was proposed for descoping have resulted in reduction in project cost and reduction debt amount in Board approved Debt Equity ratio. These amendments do not impact project financial viability of the project.
Initially, PFS sanctioned Rs. 471.90 crs in the instant project out of which 50% of sanctioned loan was subsequently down-sold t[redacted].e. Rs. 235.95 crs vide addendum to CLA dated 5th Feb 2021 and [redacted] was appointed as lead bank for the instant project. (Rs. 75 crs disbursed and Rs. 160.95 crs undisbursed portion). Accordingly, the disbursed and outstanding portion of PFS reduced to Rs. 181.41 crs on account of assignment of Rs. 75 crs from the disbursed portion of PFS as mentioned above.
<table>
<tr><th></th><th>(Term Loan)</th><th>Disbursed Portion (Rs Crs)</th><th>Undisbursed Portion (Rs Crs)</th><th>Total Effective Sanction (Rs Crs)</th></tr>
<tr><td rowspan="2">Before Downselling</td><td>PFS</td><td>256.41</td><td>215.49</td><td>471.90</td></tr>
<tr><td>[redacted]</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td rowspan="2">After downselling</td><td>PFS</td><td>181.41</td><td>41.41</td><td>235.95 (50%)</td></tr>
<tr><td>[redacted]</td><td>75.00</td><td>160.95</td><td>235.95 (50%)</td></tr>
</table>
During the course of implementation of the project, vide letter dated
</td></tr>
</table>

Sr. No.	CNK Observations - [redacted]	Management Response

Promoter	517.70	382.91	375.49
PFS debt	235.95	181.41	171.14
Lead FI debt	235.95	154.93	171.14
Total	1105.60	803.35	803.35

July 22, 2021, Borrower informed the lenders regarding descoping of nearly 13.22 kms in the project due to which the BPC was reduced to Rs 969.01 crs from the original BPC of Rs 1313.90 crs and accordingly the debt requirement got reduced to Rs 336.34 crs against the envisaged debt of Rs 471.90 crs and the following bifurcation of debt of Rs 336.34 crs was approved among the lenders:

Lenders	Term Loan before descoping		Term Loan after descoping	
	Sanctioned	Disbursed	Sanctioned	Disbursed
[redacted]	235.95	75.00	154.93	131.00
PFS	235.95	181.41	181.41	181.41
Total	471.90	256.41	336.34	312.41

It is to be noted that the share of PFS was already capped at the disbursed amount of Rs. 181.41 crs and no further disbursement was done in the instant loan account. NHAI grant is calculated based on revised BPC of Rs 969.01 crs approved by NHAI.

The above amendment has been done in line with consortium with approval of Lead FI and subsequently, intimated to the Board in its meeting held for closing of respective quarter.

CNK has not provided the full facts for rationale of the amendment which was available in the approval note the same has been mentioned in PFS response above. It is to further mention that the loan has been prepaid on 1st Nov 2022.

CNK has not understood the matter. As per agreed scope, CNK was required to have preliminary discussions with PFS management on weekly basis which was not done by CNK. Preliminary discussions as per the terms of Engagement letter would have helped CNK in detailed understanding on the matter.

Sr. No.	CNK Observations - [redacted]	Management Response
		<u>Financial Impact on PFS account :</u> Based on the above explanation, there is no financial impact for this loan account w.r.t. CNK observation.
	<u>CNK Conclusion:</u> Based on the above observation, our conclusion in the matter is as under: 1. De-scoping of the project was not submitted to risk team for re-assessment of risk. 2. Disproportionate reduction in original sanction due to reduction in project cost on account of de-scoping	Based on the above clarification and justification provided 1. As per the original interface with Risk team, the proposal for reduction in project cost on account of de-scoping and thereby reduction debt, equity is not required to be put through Risk. The amendment was done in the consortium. 2. reduction in original sanction is based on the loan outsanding and undisbursed at the time de-scoping of the project.

XIII [redacted]

<table>
<tr><th>Sr. No.</th><th>CNK Observations [redacted]</th><th>Management Response</th></tr>
<tr><td>A.</td><td>

<u>Disbursements done for clearing of overdue positions.</u>

It has been observed that the company has disbursed funds to the borrower for clearing of the overdue position amounting to Rs 3.03 crores.

Given below are the details of such disbursements:

<table>
<tr><th>Disbursement Detail</th><th>Overdue amount</th><th>Disbursed Amount</th></tr>
<tr><td>06-Oct-2021</td><td>1.53 crores</td><td>1.54 crores</td></tr>
<tr><td>17-Nov-2021</td><td>1.50 crores</td><td>2.50 crores</td></tr>
</table>

The overdue position of the borrower are being cleared basis these subsequent disbursements. The overdues amounting to Rs 3.03 crores were proposed to be adjusted against the said disbursements by the Company. Such adjustments may have resulted into clearance of critical overdue positions of the borrower.

</td><td>

The loan account was sanctioned by the PFS Board in its meeting dated 13th Feb 2018(*refer exhibit 13A*) ~~under consortium~~ arrangement with Axis Bank as Lead FI. (other lenders are [redacted]

Disbursement was done against IDC as per the Board approved financing plan and Disbursement was done based on LCN issued by the Lead FI[redacted]).

Interest during construction ('IDC') is part of project cost approved by the Board, which is towards the interest to be paid by borrower during construction period. In an under construction project, the borrower does not have any source of revenue to repay the outstanding interest towards the loan. Therefore, IDC cost is a part of loan disbursement to be utilized towards payment of outstanding interest against the loan in the project. This is an established industry practice in project financing, and the IDC cost is already estimated and accounted at the time of sanction. The facility agreement include estimated project cost break up indicating IDC as part of project cost.

With cumulative disbursement by all lenders, the loan outstanding of lenders including PFS is within original sanctioned limit. Further, the Funds were disbursed to the TRA account and IDC were paid through TRA.

It is to be mentioned that there has not been any increase in sanctioned limit by PFS and PFS has done the disbursement in TRA as per the LCN issued by the Lead FI in consortium arrangement based on the conditions stipulated in the Facility Agreement. As per the information received, the account status in the books of lead lender and one of co lender, who has participated in the LCN of lead FI, is standard.

In general parlance, the evergreening of loan is a term in which a lender tries to revive a loan that is on the verge of default by granting further loans which is not the case in the instant account. Recovery of IDC through disbursement does not qualify as evergreening since PFS has not recovered the dues by sanctioning and disbursing another additional loan to Borrower. As per RBI circular, lenders are allowed to fund the IDC and also fund increase in IDC.

</td></tr>
</table>

Sr. No.	CNK Observations - [redacted]	Management Response
		Financial Impact on PFS account: Provision in this loan account has been made as per ECL model as on 31.03.2022 and no further provision is expected in PFS books as on 31.03.2022.
	CNK Conclusion: Based on the above observation, our conclusion in the matter is as under: 1. Possible evergreening of the account due to disbursements being made to clear the overdue positions of the borrower. 2. Also refer CNK comments on Evergreening below matrix showing loan accounts and observation on page 5-6 of this report	Based on the above clarification and justification provided, it may be noted that 1. Disbursement was done based on LCN issued by the Lead FI. The Funds were Disbursed to the TRA account and IDC were recovered through TRA. In general parlance, the evergreening of loan is a term in which a lender tries to revive a loan that is on the verge of default by granting further loans which is not the case in the instant account. Recovery of IDC through disbursement does not qualify as evergreening since PFS has not recovered the dues by sanctioning and disbursing another additional loan to Borrower. 2. Refer PFS response on ~~Evergreening mentioned~~ in the beginning of this art of the report. Disbursement in the loan account does not pertain to evergreening as PFS had disbursed the loan as per the facility agreement which include break up of estimated project cost including IDC and overall disbursement is within original sanction amount.

XIV [redacted]

<table>
<tr><th>Sr. No.</th><th>CNK Observations [redacted]</th><th>Management Response</th></tr>
<tr><td>A.</td><td>
<u>Disbursement done despite slow progress of the project</u>
We have observed that physical progress and the financial progress of the project for the 3rd and 4th disbursement dated 14 November 2018 and 01 February 2019 respectively was stagnant and the same has also been stated in the disbursement note as well. Despite such stagnancy in the project, PFS has proceeded with disbursement to the said project.
Given below is a summary of such disbursements.
<table>
<tr><th>Particulars</th><th>Physical Progress</th><th>Financial Progress</th><th>Disbursed Amount</th><th>IDC (Cr.)</th></tr>
<tr><td>3rd disbursement dated 14-11-2018</td><td>35.82%</td><td>38.79%</td><td>1.12 cr</td><td>6.54</td></tr>
<tr><td>4th disbursement dated 01-02-2019</td><td>35.82%</td><td>38.79%</td><td>1.53 rr</td><td>8.27</td></tr>
</table>
Though the LCN has been received from the Lead bank for such disbursement, it has been observed that the planned physical progress as mentioned in disbursement note was at 60.67% against which only 35.10% of actual progress was achieved at the time of 4th disbursement. However the Company had already disbursed funds amounting to Rs 13.75 crores against the sanction of Rs 30.51 crores despite such slow progress in the project.
The matter pertaining to delayed progress of project had also been highlighted by monitoring unit by stating" last site visit was made in August 2018 by monitoring unit along with lie and other lenders during which non-availability of approx. 18.75 km work front was observed by the lenders".
</td><td>
CNK observation is beyond audit review period (01st April 2019- 31st March 2022). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below:
Disbursement was done based on LCN issued by the Lead FI[redacted]and also based on the direction provided by Lead FI via email dated Sept 04, 2018. The disbursement note was approved by MD &CEO based on the justification provided in the note as per the approved delegation of power.
As on September 2018, physical Progress was 35.82% against planned 60.67% and Financial Progress was 38.79% in the instant project. As per the LIE report of September 2018 (please refer 14A), LIE confirmed that COD can still be achieved within the scheduled date if Concessionaire takes steps to make up the lag in coming months.
Further, As highlighted in Disbursement note dated November 14, 2018 (please refer 14B), "Lead Bank via email dated Sept 04, 2018 has clarified that issue with respect to land was discussed in consortium meeting held at project site on August 06, 2018. Till now lenders have disbursed ~32% of their share. The project progress is ~28% as on date and Land availability is ~54% (~22 kms out of ~41 kms). On the request of the company, Lead Bank has decided to further disburse till ~50% of the facility. Further, Lead Bank is planning to have joint site visit and consortium meeting in December. Lead Bank has also informed that it will review the progress of the project before making any further disbursement over and above 50%. MoM of lenders meet is placed at Annexure G. (refer exhibit 14C).
In view of the above, PFS may also consider disbursement only upto ~50% in line with Lead Bank and as confirmed by the Lead Bank in future. As instant disbursement is falling within 50% (40.05% post instant disbursement) it has been considered for processing for approval. "
Therefore, the disbursement was made on the basis of LCN issued by lead bank[redacted] in line with consortium spirit. The Funds were Disbursed to the TRA account
</td></tr>
</table>

Sr. No.	CNK Observations [redacted]	Management Response
		and IDC were recovered through TRA. **Financial impact on PFS loan account:** Provision in this loan account has been made as per ECL model as on 31.03.2022 and no further provision is expected in PFS books as on 31.03.2022
	CNK Conclusion: Based on the above observation, our conclusion in the matter is as under: 1. Disbursement have been done in the account despite under achievement in the progress in the project as per plan.	Based on the above clarification and justification provided, it may be noted that 1. Disbursement was done based on LCN issued by the Lead FI and also based on the direction provided by Lead FI via email dated Sept 04, 2018.

XV [redacted]

<table>
<tr><th>Sr. No.</th><th>CNK Observations [redacted]</th><th>Management Response</th></tr>
<tr><td>A.</td><td>
<u>Possible Evergreening of the Loan account.</u>
The company has made disbursements in loan account to clear the overdues of the borrower with PFS. The Company in its disbursement notes (relevant extracts below) has also mentioned the proposed adjustment of overdues. Given below are the details of disbursements against its corresponding adjustments of overdue positions:
<table>
<tr><th>Disbursement Date</th><th>Disbursement Amount</th><th>Adjustment of Overdue Amount</th></tr>
<tr><td>31 March 2015</td><td>15.26</td><td>2.63</td></tr>
<tr><td>09 June 2016</td><td>31.63</td><td>1.77</td></tr>
<tr><td>27 September 2016</td><td>2.70</td><td>2.70</td></tr>
<tr><td>22 February 2017</td><td>5.51</td><td>5.51</td></tr>
<tr><td>20 June 2017</td><td>7.16</td><td>7.16</td></tr>
</table>
It has been observed that above disbursements has been utilized to clear the existing overdue positions in the account and which may have also resulted in possible evergreening of the Loan account especially when such adjustments are carried on year end date i.e., 31 March 2015.
Also, the company without the receipt of LCN did the disbursements dated 27 September 2016, 22 February 2017 and 20 June 2017 on suo moto basis from the lead financial institution.
Considering the above condition, the borrower shall have executed the PPA for 100% of its capacity, however on verification of the loan documents it was observed that this condition was only partly complied by borrower at the time of initial drawdown amounting to Rs 38.27 crores on 09 November 2011. Borrower achieved the complete compliance to this condition only on 19 March 2015 wherein it had entered into PPA for balance 40% of capacity.
</td><td>
CNK observation is beyond audit review period (01st April 2019- 31st March 2022). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below:
The loan account was sanctioned by the PFS Board in its meeting dated 13th Oct 2010. As per minutes of Board meeting (refer exhibit 15A), CMD or his authorized representative was authorised to approve and amend general terms and conditions including special conditions: pre-commitment/pre-disbursement and other conditions of debt sanction as may be necessary in the spirit of the consortium. Further as per the Board resolution dated 27 June 2013, Board transferred all the power of CMD given by the Board to MD & CEO. (refer exhibit 15B)
The disbursements made in instant project when the account was in overdue as mentioned in the CNK observation were duly approved through the then MD & CEO (after due deliberation and justification proposed in the disbursement note) (refer exhibit 15C), hence the same were in line as per Delegation of Power of PFS.
For the disbursements made without the receipt of LCN dated 27 September 2016, PFS was in receipt of the Borrower request which(refer exhibit 15D), the disbursement was duly approved through the then MD & CEO (after due deliberation and justification proposed in the note) which is as per Delegation of Power of Company.
For the disbursements made without the receipt of LCN dated 22 February 2017 and 20 June 2017, the Joint Lender Meeting (JLM) ([redacted] co lenders[redacted] minutes dated January 23, 2017 were in place, which permitted adjustment of overdue IDC of the lenders against their undisbursed commitment (refer exhibit 15E). The disbursement was duly approved through the then MD & CEO (after due deliberation and justification proposed) which as per Delegation of Power of Company.
</td></tr>
</table>

Sr. No.	CNK Observations [redacted]	Management Response
		Financial Impact on PFS account: This Loan account has been technically written-off in PFS books in FY2019. No further financial impact is expected in PFS books.
B	Non-compliance of pre-disbursement condition As per para 4.2(XX) of the Common Loan Agreement dated 29th July 2011, between the borrower and the PFS, the below condition was stipulated as a Condition precedent to Initial Drawdown: *"The Borrower shall have, to the satisfaction of the Lenders, have executed a PPA with the power trading company for the entire capacity of the project or any other state distribution companies acceptable to the lender."* Considering the above condition, the borrower shall have executed the PPA for 100% of its capacity, however on verification of the loan documents it was observed that this condition was only partly complied by borrower at the time of initial drawdown amounting to Rs 38.27 crores on 09 November 2011. Borrower achieved the complete compliance to this condition only on 19 March 2015 wherein it had entered into PPA for balance 40% of capacity. Pending compliance of such critical pre disbursement condition the company had undertaken initial disbursement.	CNK observation is beyond audit review period (01st April 2019- 31st March 2022). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below: The condition stipulated as pre-disbursement condition (PDC) for the initial drawdown was provided the timeline extension till November 30, 2011 by the Lead Lender [redacted] as per the LCN dated October 18, 2011. In line with the above extension, PFS has also taken the approval from the then CMD for extension of timelines (after due deliberation and justification proposed in the note) which is in line as per Delegation of Power of Company. (*refer exhibit 15F & 15G*) As per extended timelines, the conditions were complied for disbursement. (Refer Annexure C of Disbursement Note dated November 08, 2011). **Financial Impact on PFS account:** This Loan account has been technically written-off in PFS books in FY2019. No further financial impact is expected in PFS books.
C	Disbursement despite diversion of funds by the borrowers PFS has made the first disbursement on 9th November 2011 amounting to Rs. 38.27 crores along with the lead bank to the borrower in the designated TRA account. Upon disbursement of fund the borrower had withdrawn an amount of Rs 18.97 crores from the project TRA without being authorized from the lead lender i.[redacted] Despite several opportunities provided to the borrower for bring back the amount so withdrawn from the TRA account; however, the borrower did not bring back the same. Despite such irregularities identified in the account the company had made subsequent	CNK observation is beyond audit review period (01st April 2019- 31st March 2022). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below: This is the new observation made by CNK in the Final Report, after submission of preliminary and also submission of draft report. It is a fact that the initial disbursement of Rs 38.27 crs was made on November 2011 which was based on LCN dated 20th October 2011 issued by lead [redacted] and was done in the designated project TRA account. [redacted]

Sr. No.	CNK Observations [redacted]	Management Response
	disbursement in November 2011. The company had disbursed Rs. 116.07 crores in the account out of Rs 125 crores of the sanctioned limit (i.e. , up to 92% of the sanctioned amount had been disbursed) it is also to be noted the project completion was only 30% as per disbursement note dated 20 June 2017. Further from the review of documents ~~provided~~, we noticed that other lender had stopped the disbursement in between as LCN not received from lead bank but PFS continued subsequent disbursement at that time. No forensic audit was done by the company for the diversion of funds since as we understand there was no policy at that point in time to get a forensic audit done. As represented by the company, 100% provision was done as directed by the inspection report of RBI	by that time had disbursed Rs 49.65 crs and other co-lender [redacted] disbursed Rs 30.62 crs. The borrower had withdrawn an amount of Rs 18.97 crs from the project TRA without being authorized by the lead lender [redacted] and the transaction was noted by Lead [redacted] and TRA banker [redacted]. The observation made by CNK, '*despite such irregularities identified in the account, the company made subsequent disbursement in Nov 2011*' is misleading and is factually incorrect. Once it was discovered that the borrower has withdrawn the funds without authorization of lead bank, PFS has not disbursed any additional funds to the project till March 2015. Only after the borrower has brought back the entire withdrawn funds of Rs 18.97 crs and the matter was discussed and duly taken into account for formal closure by the lenders ([redacted] and PFS) in their consortium meeting held on 28th May 2014 and based on the LCN dated 28th March 2015 issued by the lead bank [redacted], PFS disbursed further funds on 31st March 2015 (i.e. after nearly 40 months post the initial disbursement) in the TRA. In this regard, earlier the lead lende[redacted] on behalf of consortium lenders, had issued a letter dated 24th June 2014 informing the borrower regarding formal closure of the issue of unauthorized withdrawal of funds by the borrower. It is worth mentioning that once unauthorized withdrawal of funds from the TRA was noticed by the lenders, lenders including PFS took many coercive actions, even to the extent of issuing notice that in case the borrower does not bring back the funds, it would be declared as willful defaulters and would take other legal recourse against the Company/ Promoters . The various coercive actions led to the borrower bringing back the entire withdrawn funds - CNK has overlooked this vital fact and has chosen to hide the same. Further, the observation of CNK '*No forensic audit was done by the company for the diversion of funds since as we understand there was no policy in place at that point in time to get a forensic audit done*' is not appreciated. The forensic audits are required to identify the event based on facts where there is uncertainty. In the instant case, the event was known to the lenders that

Sr. No.	CNK Observations – [redacted]	Management Response
		Rs.18.97 crore was withdrawn by the borrower and, after, coercive actions by lenders, the fund has been brought back to TRA account by the borrower. It is further to mention that the observation of CNK that " *Possible diversion of funds due to subsequent disbursement post unauthorized withdrawal of funds by borrower from TRA account*" is baseless , beyond facts and imagination since, post regularization of the unauthorized withdrawal, any release of fund from TRA account was under close monitoring by lead [redacted] and TRA banker [redacted] Further, the above facts were duly explained by PFS to the representative of CNK on their specific query during their visit to PFS office on 29th Oct 2022 for various clarifications . However, even after explaining the entire details to the CNK representatives - that subsequent to unauthorized withdrawal of the funds by the borrower, the lenders including PFS had stopped disbursement for nearly 40 months and further disbursement were done by the lenders including PFS only after the funds were brought back by the borrower, CNK has added this new additional observation in their final Report (even though it was not present in their Preliminary and Draft Report). However, as mentioned above, this additional observation is factually incorrect and out of context. It is to further mention that, PFS has already initiated proceedings against the personal guarantor namely [redacted] (Promoter/ director of the borrower), on its own without waiting for lead [redacted] and other co-lenders, in NCLT as per the provisions of IBC and since he did not submit any repayment plan, the Resolution Professional (RP) filed for bankruptcy of [redacted] According the process of bankruptcy of [redacted] (Promoter/ director of the borrower) is being initiated by PFS. **<u>Financial Impact on PFS account:</u>** This Loan account has been technically written-off in PFS books in FY2019. No further financial impact is expected in PFS books.

Sr. No.	CNK Observations – [redacted]	Management Response
	<u>CNK Conclusion:</u> Based on the above observations, our conclusion in the matter is as under: 1. Possible evergreening of the account due to disbursements being made despite overdues in the account, such disbursement could have been used by borrower to clear the critical overdue positions; 2. Disbursement is made pending compliances of critical pre disbursement conditions like execution of PPA for the entire sanctioned capacity of the project. 3. Possible diversion of funds due to subsequent disbursement post unauthorised withdrawal of funds by borrower from TRA account.	Based on the above clarification and justification provided, it may be noted that 1. Recovery through disbursement from the existing loan does not qualify as evergreening since the instant project was under construction phase during the time of disbursement & PFS has not recovered the dues by sanctioning and disbursing another additional loan to Borrower. 2. The timeline extension for the PDC mentioned by CNK was already provided by Lead Lender[redacted]) and PFS also provided the extension in timeline in line with Lead Lender. As per extended timelines, the conditions were complied for disbursement. 3. Post initial disbursement by consortium, the funds were unauthorisedly withdrawn from the TRA by the Borrower and after insistence of lenders, the withdrawn funds were brought back by the Borrower into the TRA. Post satisfactory review by consortium, disbursement started from March 2015.

PFS Management Response on CNK Final Forensic Audit Report on

Appointment of [redacted]

PFS Management Response on Final Report by forensic auditor – Appointment of [redacted] (Ref VII. CNK Report on Appointment of [redacted]

S No	Particulars	Management's Response
VII.	While issuing the draft report and final report, the responses received from PTC India Financial Services Limited (hereinafter referred to as management / PFS / Company) were considered, Changes, as required, have been incorporated for the management responses in this report. It may be pertinent to point out that many of the responses of the management (for which, external professional assistance was sought without our approval by sharing our preliminary findings / draft report with them which we consider highly unprofessional) were repetitive, critical, and harping on the point that the verification was beyond scope or beyond the period covered in the Engagement Letter (EL). Our view in the matter is that though an initial period was mentioned in the EL, we have requested for documents for the earlier / later period/s and have included our findings on the same to the extent these documents were made available.	• PFS prepared a detailed response to each of CNK's preliminary findings / draft report, clarifying the numerous factual and conceptual errors as well as refuting the vague and unsubstantiated comments. The repetition was necessitated because multiple observations of CNK had similar/identical infirmities and required corrections/clarification/contextualization. • PFS is an independent company and reserve the right to appoint any firm or consultant to assist it. PFS appointed the forensic team of [redacted] which is a globally reputed consulting firm and the leading forensic auditor in India. PFS engaged [redacted] to review PFS's responses and provide an independent view on CNK's observations and PFS's responses. Accordingly [redacted] gave their comments after reviewing the PFS responses along with all supporting documents. • There is no restriction on PFS in engaging any external professional. • It is important to mention that PFS provided its response on the draft report. However, CNK has deleted the PFS' response from the main report and have incorporated the same as an Annexure in the final report. While doing so, they have chosen to omit their observation corresponding to the PFS response and have given the reference number only instead. CNK has also not included many crucial facts provided to them by PFS in order to complete the inputs which were important to make conclusions. Thus, they have used selective information and many vital information have been omitted. **Scope of work** The scope of work agreed by and between the CNK and PFS inter-alia includes: • *Review of relevant electronically stored information (ESI) including email communications, loan related documents, other documents and data to ascertain the veracity of the issues raised by Independent Directors of the*

S No	Particulars	Management's Response
		Company in resignation letter/s dated 19th January 2022 having material impact on the Company. *"Material impact" means any event which result in material adverse impact on the accounts of PFS and performed with sole motive of malafide intention / fraud wherein any such critical information was not disclosed to Audit Committee or Board and is in contravention of PFS policies or direction of Board or statutory requirement, having significant impact on decision making related to such project / proposal.* **It is pertinent to note that the Frequently Asked Questions (FAQ), On Disclosure of Information Related to Forensic Audit of Listed Entities, in Schedule III, in Part A, under the Clause A, sub-clause 17 of SEBI LODR Regulations require that** *"Forensic audits as mentioned in the above sub-clause of LODR refers to those audits, (by whatever name called), which are initiated with the objective of detecting any mis-statement in financials, mis-appropriation/ siphoning or diversion of funds. It does not seek to cover disclosure of audit of matters such as product quality control practices, manufacturing practices, recruitment practices, supply chain process including procurement and matters that would not require any revision to the financial statements disclosed by the listed entity."* **PFS' submission on the appointment of [redacted]** • The appointment of [redacted] as Director (Finance) & CFO **does not have any material impact on the accounts of PFS.** • In its meeting held on 9th March 2021, the Board had decided that the entire recruitment process would be handled by a resource person from PTC and [redacted] was identified as the resource person from PTC for this purpose. • **The entire process of appointment of [redacted] was handled by PTC HR led by [redacted] and [redacted] the then Chairman PTC/PFS.** It must be noted that nobody from PFS HR and management was associated at any stage of the recruitment process.

S No	Particulars	Management's Response
		• This was in complete disregard of the supervisory notes of the RBI inspection report in which RBI had raised concerns on lack of arm's length relationship between PTC and PFS in HR matters. It is important to note that the then PFS Board, the then Chairman and all Ex Independent Directors were fully aware of RBI's directions. Despite that the Board and the nomination and remuneration committee continued the recruitment process of Whole-Time Directors in PFS through PTC HR. • The entire process of appointment of [redacted] has been independently audited in detail by [redacted] which submitted its report to PTC India Limited. The report severely indicts the erstwhile NRC of PFS and PTC HR for various serious acts of omission and commission. This report has also been sent to the regulators. • The appointment of [redacted] was bad in law and process. [redacted] committed a fraud on Company by concealing material information required for completion of his joining formalities: he did not submit his relieving letter from NTPC, which clearly showed that he had retained lien with NTPC in violation of the Board's decision. [redacted] Head of PTC HR made a false declaration to the Board that [redacted] was joining on absorption basis. • The PTC Board commissioned an enquiry by its RMC into the allegations made by the resigning Independent Directors of PFS, which included the appointment of Mr. Ratnesh. The PTC RMC report also severely indicted PTC HR for various serious acts of omission and commission. **This report of PTC RMC has been considered in detail by PTC Board and accepted.** • It may be pointed out that both [redacted] report as well as PTC RMC report have been submitted to the regulators. • Nevertheless, PFS provides its response of the observations and findings of CNK. • It may be mentioned that ever since the powers pertaining to HR function were restored to PFS management, PFS management has appointed one Executive Director in the Company and has already advertised vacant positions for Executive Director in Credit Appraisal function and Director (Finance) & CFO. These posts will be filled in due course after following a transparent Board approved process.

S No	Particulars	Management's Response
		• The sequence of event indicating the role of [redacted] in recruitment process for Director in PFS along with his email dated 20th October 2021 stating that PTC HR will ensure completion of their joining formalities and then handover the process of their orientation is placed.

The following chronology of meetings is submitted in respect of appointment of [redacted] and response to CNK's observations are also given below:

Chronology of meetings

S No	Date	Meeting of	Members present	Remarks
1	12th November 2018	Board Meeting of PFS	• [redacted] • [redacted] • [redacted] Whole-Time Director (Operations) • [redacted], Director • [redacted] Director • [redacted] Director • [redacted] Director • [redacted] Director • [redacted] Director • [redacted], Director	• In the said meeting, while noting the actions for filling up the position of Director (Finance) & CFO, the Board decided that the Nomination & Remuneration Committee may consider to issue the advertisement for the position of Executive Director level / EVP who may be elevated to board level position based on performance. **Thus, the decision to not appoint Director (Finance) was taken by the Board.**
2	23rd December 2019	Nomination and Remuneration Committee (NRC) of PFS	• [redacted] Chairman NRC • [redacted] Member NRC • [redacted] Member NRC • [redacted] Member NRC • [redacted] Member NRC	• It may be mentioned that Nomination and Remuneration Committee of PFS, in its meeting held on 23rd December 2019, took the strange and unprecedented decision that all the HR matters of PFS shall be dealt with the approval of Director (HR), PTC, which included, matter related to appointments, transfers, postings, promotions etc. and internal communication to employee. PFS (HR) team was to assist Director (HR), PTC in all these matters. This decision disempowered the MD & CEO and HR department of PFS. • Subsequently, in its meeting held on 27th January 2020, the NRC made certain amendments to above. However, the MD&CEO continued to be completely disempowered by the erstwhile Chairman / Board. MD&CEO had no powers to decide on the appointments, transfers, promotions and postings at the level of functional head and one level below. In other words, the MD&CEO effectively in most situations could not even appoint a Manager in PFS • Please refer to NRC & Board meetings held on 09.03.2021 when it was decided that advertisement shall be issued by PTC resource

S No	Date	Meeting of	Members present	Remarks
				person for the post of Director (Operations) & Director (Finance) by 31.03.2021 which PTC HR did not do.
3	9th March 2021	Board Meeting of PFS	• [redacted] Chairman • [redacted] MD&CEO • [redacted] Whole-Time Director (Operations) • [redacted] Director • [redacted] Director • [redacted] Director • [redacted] Director • [redacted] Director • [redacted] Director • [redacted] Director	• The Board was of the opinion that the same process may be followed for the selection as was done earlier in case of appointment of MD&CEO and **the recruitment process would be handled by a resource person from PTC.** • It may be mentioned th[redacted] was identified as the resource person from PTC for this purpose. This was informed by [redacted]imself to PTC RMC.
4	21st June 2021	Nomination and Remuneration Committee (NRC) of PFS	• [redacted] Chairman NRC • [redacted] Member NRC • [redacted] Member NRC	NRC directed that PFS, HR department has to actively co-ordinate with HR Head of PTC to complete the recruitment. NRC desired that PTC HR may issue advertisement by 30.06.2021. It was clarified to NRC that the role of PFS was limited to issuance of advertisement in the newspapers and uploading on website only.
5	13th August 2021	Nomination and Remuneration Committee (NRC) of PFS	• [redacted] hairman NRC • [redacted] Member NRC • [redacted] Member NRC • [redacted] Member NRC	[redacted] - HR Head PTC gave a presentation on the applications received for the post of Director (Finance) & CFO
6	28th August 2021	Nomination and Remuneration Committee (NRC) of PFS at 5.00 PM at **Board Room, PTC India Limited**	• [redacted] hairman NRC • [redacted] Member NRC • [redacted] Member NRC • [redacted] Member NRC	NRC recommended the name of [redacted] for the position of Director (Finance) & CFO

S No	Date	Meeting of	Members present	Remarks
7	28th August 2021	Board Meeting of PFS	• [redacted], Chairman through VC from PTC office • [redacted] MD&CEO through VC from his residence • [redacted] Director through VC from PTC office • [redacted] Director through VC from his residence • [redacted] Director through VC from PTC office • [redacted] Director through VC from his residence • [redacted] Director through VC from his residence • [redacted] Director through VC from PTC office • [redacted] Director through VC from PTC office	• Board approved the appointment of [redacted] for the position of Director (Finance) & CFO. Board further resolved that the **appointment of [redacted] as CFO shall be subject to approval of ensuing of Audit Committee as per provisions of SEBI Listing Regulations and other applicable laws and the proposal in this regard shall be placed to Board through Audit Committee.**
8	13th September 2021	Nomination and Remuneration Committee (NRC) of PFS at 3.00 PM	• [redacted], Chairman NRC • [redacted], Member NRC • [redacted] Member NRC • [redacted], Member NRC	• The NRC meeting of PFS was held on 13th September 2021 in which [redacted] HR Head PTC informed the Committee that further to the decisions taken in meeting of Board held on 28th August 2021, wherein Chairman, PFS was authorised to finalise the terms of appointments, the offer letter was given to [redacted] Also, the proposal to enhance CTC of [redacted] was brought. • The Committee noted the terms of appointment of selected candidates and recommended to the Board as well as increase in CTC of [redacted]
9	13th September 2021	Audit Committee Meeting of PFS at 3.30 PM	• [redacted] Chariman through VC from his residence • [redacted] Member through VC from her residence	• The Audit Committee members were of the view that N&R Committee has already evaluated the compatibility of [redacted] work as Director (Finance) & CFO of the Company. Further, the Committee members were of the view that [redacted] despite limitations will be assisted by the team of

S No	Date	Meeting of	Members present	Remarks
			• [redacted] Member through VC from PTC office	experienced professionals in PFS who have good experience of NBFC sector and also have the guidance of MD&CEO to work as Director (Finance) & CFO. • The Committee recommended to the Board, the appointment of [redacted] as Director (Finance) & CFO
10	13th September 2021	Board Meeting of PFS at 4.00 PM	• Sh. [redacted], Chairman through VC from PTC office • [redacted] MD&CEO • [redacted], Director through VC from her residence • [redacted], Director through VC from his residence • [redacted] Director through VC from his residence PTC office • [redacted] Director through VC from his residence • [redacted] Director through VC from his residence • [redacted] Director through VC from her office • [redacted] Director through VC from PTC office	• [redacted] **HR Head PTC informed that [redacted] was joining on absorption basis.** • [redacted] Chairman of NRC PFS stated that when any recruitment is done, it is hard to find a person with 100% perfect candidature as the business dynamics keep on changing. • MD&CEO had objected to the suitability of [redacted] as Director (Finance). • Board accepted all the recommendations of N&R Committee and Audit Committee and approved the appointment of [redacted] for the position of Director (Finance) & CFO. • Board decision recorded that, "the **rest of the Board** accepted all the recommendations of the N&R Committee and of the Audit Committee and approved the appointment of Sh. Ratnesh as Director (Finance) & CFO". Thus MD&CEO was not part of this decision.

B. **Sequence of events in case for the appointment of Whole Time Director (Finance) & CFO**

S No of Report	Particulars	Management's Response
IV	In 34th Meeting of NRC held on 17th March 2019, an agenda note for appointment of Executive Director/ EVP (Finance) of the Company along with the draft job description was placed to the Committee. The Committee was informed that the Board of the Company in its 109th meeting held on 12th November 2018 decided as under: - "The Board noted the same. With respect to the actions for filling up the position of Director (Finance) & CFO, the various aspects were discussed by the Board including the identification of a suitable candidate for the post and its requirement. After detailed discussions, the Board desired that the Nomination & Remuneration Committee may consider to issue the advertisement for the position of Executive Director Level / EVP and in order to attract good candidates a clause be inserted in the advertisement that based on her/his performance there exists possibility of further elevation to board level position."	• As mentioned above by CNK, the Board of Directors in their meeting held on 12th November 2018, noted the minutes of 32nd and 33rd NRC meeting and "*with respect to the actions for filling up the position of Director (Finance) & CFO, the various aspects were discussed by the Board including identification of the suitable candidate for the post and its requirement. After detailed discussions, the Board desired that the Nomination & Remuneration Committee may consider to issue the advertisement for the position of Executive Director level / EVP and in order to attract good candidates a clause be inserted in the advertisement that based on her/his performance there exists possibility of further elevation to board level position.*" • It may be mentioned that [redacted] was appointed as MD&CEO w.e.f. 3rd October 2018 and accordingly, the position of Whole-Time Director (Finance) became vacant on that time. As mentioned in the above resolution of the Board meeting held on 12th November 2018, the Board decided that in place of Director (Finance), the advertisement for the position of Executive Director level / EVP may be issued who can be later elevated to board level position. Thus, Board decided not to appoint Director (Finance). • Thereafter, NRC took this matter in its meeting held on 17th March 2019, after more than 4 months from the date of Board meeting, wherein an agenda note for appointment of Executive Director/ EVP (Finance) of the Company along with the draft job description was placed to the Committee and the Committee was informed about the Board's above decision.
VI.	In the 41st Meeting of NRC held on 9th March 2021, the Committee noted that [redacted] Director (Operations) will be superannuating on 09th July 2021, and the position of Director (Finance) is already vacant since [redacted] was appointed as MD & CEO. It was further discussed that NBFCs are facing challenges on various fronts and MD & CEO had also desired	• In the 132nd meeting held on 9th March 2021, the Board was of the opinion that the same process may be followed for the selection as was done earlier in case of appointment of MD&CEO and **the recruitment process would be handled by a resource person from PTC.** The Board noted that the Nomination and Committee in its meeting held on 9th March 2021 had decided that the advertisement for both these vacancies may preferably be

S No of Report	Particulars	Management's Response
	accretion of senior level team members in the Company. The Committee was of the view that immediate steps should be initiated regarding recruitment for these two posts i.e., Director (Finance) & CFO and Director (Operations) at the earliest. It was also desired that suitable advertisements, after inputs from PFS management, shall be placed in newspapers/ PTC/PFS websites by 31st March 2021. The Committee further desired that the same process may be followed for the selection of candidates for the above as was adopted earlier by PTC HR in case of appointment of MD & CEO	issued by 31st March 2021. It may be mentioned that [redacted] was identified as the resource person from PTC for this purpose. This was informed by [redacted] himself to PTC RMC.
VII	In the 42nd Meeting of NRC held on 21st June 2021, The Committee was informed about the action taken report as per details mentioned in the agenda note. With respect to the vacancies of Director (Finance) & CFO and Director (Operations), the Committee noted that as per ATR it is mentioned that the process is being led by PTC. The Committee was of the view that the vacancies are of PFS, therefore, the HR Department of PFS should have taken the initiative and followed up with PTC for all to complete the actions directed by the N&R Committee and the Board. [redacted] (AVP-HR), PFS informed the Committee that in the earlier appointments of WTDs and MD&CEO, the entire selection process was carried out by the PTC itself and PFS HR was required to publish the advertisement in the newspaper and website of PFS only. The Committee was of the view that even in the earlier appointment, the appointment was made by the NRC and Board of PFS, the NRC at its sole discretion may engage anyone internal at the group level or some outside agency. The Committee felt that as much as the requirements are for PFS and directions are from the NRC of PFS, the HR department of PFS must actively coordinate with the HR head of PTC to complete the recruitment in a specific time frame. As per request, [redacted] (HR Head - PTC), attended the meeting. [redacted] stated that by the end of June 2021, the advertisement may be ready and the entire selection process	• It may be mentioned in its meeting held on 9th March 2021, the Board had decided that the recruitment process would be handled by a resource person from PTC and [redacted] was identified as the resource person from PTC for this purpose. Accordingly, the responsibility for issuing advertisement by 31st March 2021 was with PTC HR which the resource person [redacted] did not accomplish by the said date. **On 21st June 2021 also, NRC desired that press advertisement be issued by 30th June 2021. During the Board meeting held on 21st June 2021, the RBI inspection report was placed to the Board in which RBI had raised concerns on arm's length relationship in HR matters. Despite RBI concerns, nomination and remuneration committee continued the recruitment process of Whole-Time Directors in PFS through PTC HR.**

S No of Report	Particulars	Management's Response
	including the screening and the interview may be completed by the end of July 2021 but not later than the middle of August 2021. The Committee desired that as the advertisement is to be published by 30th June 2021, the meeting of the NRC may be called before that to finalize the advertisement. The Committee further desired that while finalizing the advertisement, the compensation package and terms to be offered to the incumbents may be made suitably liberal, if required, to attract good candidates. The Committee wishes that further actions may be taken without any further delay;	
VIII	In the 43rd Meeting of NRC held on 17th July 2021. PTC HR made a presentation on the detailed job description and advertisement of Board level positions in PFS during the meeting. The Committee was informed that the draft of Job Descriptions for both positions i.e., Director (Operations) and Director (Finance) was discussed by the PTC HR team with PFS's management, and their inputs incorporated where feasible;	• In its 43rd meeting held on 17th July 2021, **the nomination and remuneration committee of PFS suddenly reversed its own and Board's decision of inviting application for Whole-Time Directors through open advertisement.** This violated the Company's practice of recruitment. Instead of making public advertisement, it now decided to approach PTC, its Promoter Companies i.e. [redacted] (including persons from its subsidiary [redacted] to seek eligible candidates. This is recorded in the minutes of nomination and remuneration committee meeting.
X	On 20th July 2021, Chairman PFS wrote letters to CMDs of [redacted] about said vacancies attaching therewith the details of Job Description. Eligibility and application format recommended by NRC with last date of submission of application as 6th August 2021	• It may be mentioned that the recommendations of nomination and remuneration committee of PFS, which were in deviation to those earlier approved by Board, like increase in superannuation age, were implemented by Chairman PFS without prior approval by the Board. The superannuation age of 62 years was informed to Board without specifically mentioning that it was in deviation to the approval earlier accorded by the Board and no post facto approval was sought or given by the Board.
XI	On 13th August 2021, [redacted] shared the presentation of the responses received for the candidature of Director (Finance) and Director (Operations) and essential screening parameters of the	• For reasons unknown, the Nomination and Remuneration Committee took the strange decision of setting the educational qualifications for Director (Finance) as only MBA but for Director (Operations) as MBA (Finance). This was not just illogical but was also contrary to widespread industry

S No of Report	Particulars	Management's Response
	post of Director (Finance) and Director (Operations) to the Independent Directors.	practice. It is no coincidence that [redacted] did not have an MBA with a specialization in Finance but in Public System Management / Health Care Administration (Part Time). • Nomination and Remuneration Committee decided to give the option to candidates who had applied for the post of Director (Finance) to also be considered for the post of Director (Operations) at the time of interactions. It must be noted that such changes are not done post receipt of applications as otherwise, the response of candidates could be different. It may also be repeated that the educational qualification requirements for Director (Finance) and Director (Operations) were not exactly same in the job description issued for these posts by PTC HR. **In none of the meeting from 17th July 2021, any representative of PFS HR was invited by NRC to be present or participate in their meetings which was the practice earlier.**
XIII	On 7th September, PFS had issued an appointment letter to [redacted] and the same was accepted by him on 9th September, 2021	• It is important to mention that the appointment letter to [redacted] was issued by [redacted] the then Chairman of PFS on 7th September 2022 for the post of Director (Finance) & CFO, whereas the Board had resolved in its meeting held on 28th August 2021 that appointment of [redacted] as CFO shall be subject to approval of Audit Committee and proposal shall be placed to Board through Audit Committee. Thus, Board had not appointed [redacted] as CFO till the date of issue of said appointment letter. • The audit committee meeting took place only on 13th September 2021 in which it approved the appointment of [redacted] as CFO. • Thus, Chairman issued the letter even before the approval of appointment by audit committee of PFS.
XIV	On 13th September 2021, [redacted] Head HR PTC, shared the complete docket of [redacted] to Company Secretary. In the brief writeup on Roles and Responsibilities of WTD Positions, it is clearly mentioned that Deputation/Lien for applicants from PTC and its promoter companies is allowed	• The exhibit C referred to by CNK is the job description of Director (Operations) and Director (Finance) which was issued at the time of inviting applications for these two posts. The Exhibit C does not contain any document pertaining to [redacted]

S No of Report	Particulars	Management's Response
XV	On the same day, the 74th Audit Committee meeting held and the proposal of [redacted] to consider and appoint him as Whole Time Director and CFO was placed, and the Audit committee recommended his appointment as Whole Time Director and CFO. Also, the company has informed the Exchanges as per the SEBI LODR about the joining of [redacted] and [redacted] on 13th September 2021	• The Company informed the stock exchanges that the Board of Directors in their meeting held on 13th September 2021 has approved the appointment of [redacted] as Whole-Time Director (Finance) & CFO w.e.f. date of his joining and appointment of [redacted] as Director (Operations) w.e.f. date of his joining. • This may be independently verified from NSE and BSE website. • CNK's comments that the company has informed the Exchanges as per the SEBI LODR about the joining of [redacted] and [redacted] on 13th September 2021 are factually incorrect and misleading.
XVI	On 14th September 2021, the PFS informed the SEBI about the appointment of Director (Finance) and Director (Operations);	• The above statement of CNK is factually incorrect since no communication was sent by PFS to SEBI on 14th September 2021. CNK has not produced any documentary evidence in support of the same.
XVIII	Email dated 20th October 2021 from [redacted] to Directors regarding joining of 2 WTDs shortly and [redacted] mail addressing to [redacted] stating "we will be providing you with all the related documents post handling the respective joining formalities as and when both the WTDs join in the next few days. We will keep you posted. Meanwhile, you may like to put in place logistics / IT / workspace arrangements etc. for their enablement on joining"	• CNK has not disclosed the exact and full contents of email dated 20th October 2021 sent by [redacted] had informed the members of NRC, MD and Company Secretary that two WTD candidates appointed are expected to join shortly. **PTC HR will ensure completion of their joining formalities and then handover the process of their orientation and also the candidates' dossier to PFS teams.** • **It may be noted that this email dated 20th October 2021 was also sent by [redacted] to [redacted] who had ceased to be a Director of PFS on 14th October 2021.**
XIX	[redacted] has submitted his joining report to the Chairman and the same was accepted by Chairman, PFS on 29th October 2021	• The comments made by CNK are factually incorrect and misleading. The joining report of [redacted] was not accepted by Chairman PFS. In fact, Chairman PFS had instructed on the said joining report "Accept the joining in terms of decision of the PFS Board in 138th and 139th meeting"

S No of Report	Particulars	Management's Response
XXI	When the same was communicated by Company Secretary to the MD & CEO and it was informed by the Company Secretary to the MD & CEO (vide email dated 3rd November 2021) that in such a case the meeting shall be considered invalid. The email of the CS stated that "Further as desired by you earlier, we have not sent the notice of the meeting of the Audit Committee and the Board to Sh. [redacted] therefore, the agenda of the Board and Audit Committee meeting may also not sent to him." In spite of this, the MD & CEO directed the CS not to send the notice to [redacted]	• The event mentioned by CNK is factually incorrect. Ex- CS wrote the email mentioning: *"We have not sent the notice of the meeting of the Audit Committee and the Board to [redacted], therefore, the agenda of the Board and Audit Committee meeting may also not sent to him."* • CS did not inform MD&CEO that in such a case, the meeting shall be considered invalid. • [redacted] had not completed his joining formalities and he did not submit Form DIR2 duly signed and accordingly, the notice for attending board meeting as a Director could not be sent to him as per the law. Issuance of any such notice of Board meeting to a person who has not given his consent to act as a Director is an illegal act.
XXII	In the 75th Audit Committee and Board meeting scheduled for 8 November 2021, Directors highlighted the issue for not giving notice of meeting to [redacted] and the meeting was deferred adjourned and was rescheduled to next day on 9th November 2021 and [redacted] had sought leave of absence	• In terms of Companies Act and rules made thereunder, no person shall act as a Director until and unless he has given his consent in Form DIR2 and [redacted] never gave his consent in Form DIR2. Thus, sending notice of any Board / Committee meeting to [redacted] would have been illegal and violation of Companies Act. • It may be mentioned that the meeting of Board of Directors of PFS held on 8th November 2021 was Chaired by [redacted], the then Independent Chairman and the minutes were also approved and signed by him. In the said meeting, the Ex Independent Directors objected to non-issuance of notice of the Board meeting to [redacted] which was clarified by [redacted] that [redacted] was yet to submit certain documents including his relieving letter from NTPC, vigilance clearance etc as on that date. Thus, the joining formalities of [redacted] were incomplete and he had not joined PFS and [redacted] was not a Board Member. • In view of this factual statement of CMD PTC, [redacted] was not entitled to receive the notice of Board meetings or participate therein.

S No of Report	Particulars	Management's Response
		• [redacted] the then Company Secretary informed the Board that no intimation regarding joining of [redacted] had been sent to stock exchanges. • Inspite of above assertions, the Ex Independent Directors forced the Company to invite [redacted] to attend the Board meeting on 9th November 2021. The said action of Ex Independent Directors is clearly a violation of law. • It is clearly recorded in the minutes of Board meeting held on 8th November 2021 approved by [redacted] that [redacted] stated that it would be better to invite [redacted] for the meeting and ask him if he does not want to attend, he can ask for leave of absence. • [redacted]sked leave of absence from meeting held on 9th November 2021. • It is clearly recorded in the minutes of Board meeting held on 9th November 2021 that on request of Independent Directors, invite was sent to Mr Ratnesh. • Thus, [redacted] was invited only at the instance of Ex Independent Directors which was clearly a violation of law since [redacted] was not eligible to receive the notice of Board meetings and participate therein as Director of PFS.
XXV	On 17th November 2021, [redacted] had mail to [redacted] and informed that he already informed that would join the duties on or before 31st October 2021 and shared the copy of office order dated 28th October 2021 releasing from NTPC Limited and also asked for any other administrative and joining formalities which needs to be completed	• On 17th November 2021, [redacted] for the first time shared through email the copy of office order dated 28th October 2021 of NTPC, being his release order from NTPC. The said document clearly stated that [redacted] had retained lien on the post of Chief General Manager in NTPC upto 30.09.2023. This document was concealed and not disclosed by [redacted] and was not available in records of PTC HR till that date. The role o[redacted] in the entire recruitment process is mentioned above. Thus, it is clearly established that [redacted] and [redacted] connived and concealed crucial facts from the Company as well as the Board to ensure joining of [redacted] as Director (Finance) & CFO in a non standard manner.

S No of Report	Particulars	Management's Response
XXVI	[redacted] vide email dated 18th November 2021 again shared the copies of qualification certificates and again asked for the pending details to [redacted]	• The above statement by CNK is factually wrong and misleading. [redacted] shared the copies of qualification certificates for the first time on 18th November 2021. Nowhere in the said email it is mentioned that [redacted] again shared the said documents.
XXXVI	• On 16th January 2022, [redacted] replied and asked Company Secretary to send the notice of the meeting to [redacted]s well since he has been appointed as director and also informed to the stock exchange. He further mentioned that being board appointed and having reported to exchange, his cessation if any from the board has to be through Board approval. This is a basic corporate governance and has been made abundantly clear by directors, including ruling from the chair of an earlier meeting which previously on this ground had to be discontinued. It is a matter of considerable disquiet that despite all this, a board meeting is again proposed to be convened without a notice to [redacted] by brushing director's observations. Needless to add all background papers on the [redacted]atter including correspondence from [redacted] to PTC/PFS will have to be placed before a validly convened Board by way of memorandum from PFS management to enable the board take a decision	• It is confirmed by CNK that the then Company Secretary had informed the Ex Independent Directors on 4th January 2022 that [redacted] was an employee of NTPC as on 24th December 2021. • Being an employee of NTPC, he was clearly not a Whole-Time Director (Finance) & CFO of PFS and thus, was not eligible to receive the notice of Board meeting of PFS. • Despite being aware of this fact, the Ex Independent Director Mr. [redacted] was forcing the then Company Secretary to send the notice of PFS Board meeting to [redacted]. Such directions by M[redacted] were clearly illegal and against the corporate ethics. • It must be noted that [redacted]h never completed his joining formalities and PFS never informed the stock exchanges about his joining PFS. • Since, [redacted] did not join PFS, there is no question of his resignation letter to PFS. • It is noteworthy that until and unless a person joins a Board, he cannot resign and further until and unless a Director resigns from Board, the Board cannot consider and accept resignation or cessation of such Director as contended by M[redacted]. • It is clear that [redacted] was forcing the Company to invite Mr. [redacted] to the Board meetings. [redacted] did not join PFS is also proved by the fact that [redacted] never submitted any resignation to PFS, otherwise without resigning from PFS he would not be in a position to join NTPC, which is a CPSU
XXXVIII	On 18th January 2022, [redacted]eplied back and said that it appears from the correspondence of PTC to [redacted]	• It may be mentioned that the meeting of Board of Directors of PFS held on 8th November 2021 was Chaired by [redacted] the then

S No of Report	Particulars	Management's Response
	circulated that he was unilaterally terminated. How a director appointed by PFS board could be unilaterally terminated by parent co HR with no intimation to PFS board from PFS management? Can PTC as parent company take decision on PFS whole time director after he has already joined and notice of the meetings issued to him by PFS management? He also mentioned that there is no agenda from PFS management in this matter. PFS management cannot walk away from their responsibility towards the board and its shareholders. It is not possible to discuss this matter in the ensuing board meeting as the material sent is completely inadequate	Independent Chairman and the minutes were also approved and signed by him. • In the said meeting, [redacted] had informed the Board that [redacted] was yet to submit certain documents including his relieving letter from NTPC, vigilance clearance etc. as on that date. Thus, the joining formalities of [redacted] were incomplete and he had not joined PFS and [redacted] was not a Board Member. • [redacted] the then Company Secretary informed the Board that no intimation regarding joining of [redacted] had been sent to stock exchanges. • Thus, there was no question of his termination. • [redacted] was trying to mislead by his false contentions that [redacted] was a Director of PFS without any documentary proof available therefor. Since [redacted] never joined PFS, there was no question of his termination. • [redacted]'s contention is baseless and misleading. Sh [redacted] forced the Company to send the notice of Board meeting to [redacted] which was clearly illegal and violation of law.
XXXIX	On 19th January 2022, [redacted] replied on the above email and agreed with the points raised by [redacted] He mentioned that the notice for the Board meeting on 22nd January 2022 is not served on all directors and hence the meeting is irregular and invalid. There is also no agenda for the Board meeting to discuss this matter nor any agenda regarding various serious lapses and Governance issues in the company in which IDs have been raising for long in our several emails and this in unacceptable	• It is re-iterated that [redacted] never joined the Board of PFS. • [redacted] alongwith [redacted] were forcing the Company to serve the notice of Board meeting to [redacted] when he never joined PFS Board and was already an employee of NTPC as confirmed by NTPC and already informed to independent directors by the then Company Secretary by email dated 4th January 2022. • It is clear that independent directors were misleading and spreading false narratives about joining of [redacted] inspite of knowing the fact on the said date.
LV	On 2nd February 2022, PFS submitted the point wise reply to SEBI on the issues with respect to [redacted]	• CNK's observation is factually incorrect as Mr. Ratnesh's never joined PFS Board.

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	• A point in the reply was that "Upon receiving written legal opinion from [redacted] Addl. Solicitor General, Government of India that the joining process remained incomplete, and [redacted] having admitted to this position, the company had decided not to invite him for the board meeting". From the documents verified by us we believe that the reply is not in line with the fact that on 31 October 2021 itself, the notice for the meeting to be held on 8 November 2021 was sent to the directors ([redacted]). The ASG opinion was received subsequently on 8 November 2021. • Another point in the PFS reply was "Despite [redacted] having reverted to his parent employer i.e. NTPC Ltd., the Resigning IDs continued to raise the issue of his not being invited to the Board meeting …" From the documents verified by us, we find that the Independent Directors raised the issue in the 142nd Board Meeting held on 8 th November 2021 at which time [redacted] had not joined back NTPC. • Another point in the reply was that "An offer letter was issued on 7th September 2021 by the Non-Executive Chairperson even before the same was approved by the Board of PFS". From the documents verified by us, we find this incorrect since the Board in its 138th meeting held on 28th August 2021 has authorized Chairman to issue the offer. It was also resolved that the Chairman, PFS be and is hereby authorized to take further necessary actions as may be required for giving effect to the appointment of [redacted] as Director (Finance) & CFO including issue of appointment letter and / or offer letter on behalf of the Company.	• CNK team has raised observations based on limited understanding and without review of complete set of documents / information provided to them. They have presented selective information which is incorrect as well as incomplete. • **The opinion of ASG was taken to get a legal opinion on the stand of PFS on [redacted]'s joining process. Also, CNK's observation that ASG's opinion is based on limited or selected documents is prejudiced and without factual backing. All the documents as made available by PTC (HR) were submitted to ASG to form his opinion.** • **Moreover, it must be noted that the ASG is a senior law officer of the Government of India and to suggest he would give a written opinion without full facts is unwarranted and unfortunate.** • [redacted] had submitted his joining report dated 29 October 2021. The joining report dated 29 October 2021, submitted by Mr. Ratnesh was itself defective. He had mentioned "I hereby join my duties w.e.f. 29 September 2021(FN)". Forensic Auditor in its **comments** has not explained how a person can claim joining with retrospective effect. • In accordance with the Companies Act, no person can act as a Director unless he/she has submitted consent in DIR-2 form, which [redacted] never did. As such he was never Director of Company. Moreover, he shared his Release order for the first time only on 17 November 2021 and his copies of qualification certificates on 18 November 2021. • Further, [redacted] **had retained a lien on the post of Chief General Manager in NTPC for a period upto 30 September 2023.** He ***was provisionally released*** from NTPC as mentioned in the NTPC's office order dated 28 October 2021. This was **deliberately concealed by Mr. [redacted] and not disclosed at the time of submitting his joining report on 29.10.2021.** • The minutes of 138^{th} board meeting clearly indicate the intention **to hire candidates on absorption basis only for Director level people** and therefore, PFS could not have overlooked any procedure in this regard. • **The board resolution is reproduced below:** *"Resolved that in pursuance of section 179, 203, 2(51) and Section 203 read with Schedule V and other applicable provisions of the Companies Act, 2013 read with rules made thereunder (including any statutory*

S No of Report	Particulars	Management's Response
		modification or re-enactment thereof, from time to time), and the Articles of Association of the Company, approval for appointment of [redacted] *(DIN : 08603968) as whole-time Director with designation as "Director (Finance) & CFO", PFS, as per the recommendation of the Nomination & Remuneration Committee for a period of five years or the date of superannuation (which at present is 62 years), whichever occurs earlier w.e.f. date of his joining be and is hereby given.* *Further resolved that pursuant to section 197, Schedule V and other applicable provisions of the Companies Act, 2013 and rules made thereunder, the Chairman, PFS, be and is hereby authorised to decide the terms and condition of his appointment as Director (Finance) & CFO including his remuneration and other benefits commensurate to Board level functionaries in the Company.* *Further resolved that the Chairman, PFS be and is hereby authorized to take further necessary actions as may be required for giving effect to the appointment of* [redacted] *as Director (Finance) & CFO including issue of appointment letter and/or offer letter on behalf of the Company.* *Further resolved that the acceptance of* [redacted] *on the terms and conditions finalised by the Chairman, PFS, including remuneration, other perquisites and benefits be placed to the Board prior to his joining PFS for its noting and to give effect of his appointment as Director (Finance) & CFO.* ***Further resolved that the appointment of* [redacted] *as CFO shall be subject to approval of the ensuing Audit Committee as per provisions SEBI Listing Regulations and other applicable laws and the proposal in this regard shall be placed to the Board through Audit Committee."*** • **Thus, the Board of PFS in its 138th meeting dated 28 August 2021 had clearly resolved that "the appointment of** [redacted] **as CFO shall be subject to the approval of the ensuing Audit Committee as per provisions SEBI Listing Regulations and other applicable laws and the**

S No of Report	Particulars	Management's Response
		proposal in this regard shall be placed to the Board through Audit Committee." • **It is important to note that the Board decided to authorise the then Non-Executive Chairman to take further necessary actions as may be required for giving effect to the appointment of [redacted] as Director (Finance) & CFO. Since the appointment was not approved by Board, he could not have been issued any offer letter for the post of CFO.** • Audit committee meeting was held on 13 September 2021 in which it recommended the appointment of [redacted] as CFO to the Board. • **Thereafter the board meeting was held on 13 September 2021 in which the Board accepted all the recommendations of N&R Committee and Audit Committee and approved the appointment of [redacted] for the position of Director (Finance) & CFO** • However, prior to 13 September 2021, the Chairman had issued the appointment letter dated 7 September 2021 to [redacted], as Director (Finance) & CFO, whereas his appointment as CFO was recommended by Audit Committee and approved by Board only on 13.09.2021. • **The above sequence of events clearly indicates that the appointment letter was issued by the Chairman before the appointment of [redacted] as Director (Finance) and CFO by the board in contravention to the accepted process.** • It may also be noted that the **guidelines of the Department of Public Enterprises (DPE) prohibit maintaining a lien when leaving a PSU and joining a private company.** • The appointment letter dated 7 Sept 2021 issued by the then Chairman, clearly stipulated that at the time of joining he shall submit a 'Release Order' and self-attested copies of 'qualification and experience certificates'. • Further [redacted] did not submit a signed and acknowledged copy of the addendum to the appointment letter, dated 16 September 2021, issued by the then Chairman. • Thus, as on 8 Nov 2021, [redacted] had not joined PFS.

S No of Report	Particulars	Management's Response
		• Therefore, [redacted]s provisional release and maintaining lien till 30 Sept 2023 is contradictory to aforementioned board's decision of hiring candidate on absorption basis. • [redacted] obtained provisional release from NTPC whereas he was supposed to obtain release for joining PFS on absorption basis indicating that he might have misrepresented even with NTPC by non-disclosure of all facts of his offer of appointment. • Due to aforementioned serious lapses in completing the joining pre-requisites, the joining o[redacted] was in process and not completed as on 9 Nov 2021. Accordingly, PFS was under no obligation to share meeting invite to non-existent director. • Without prejudice to above,[redacted]was invited to the meeting dated 9 November 2021 on the direction of the Independent Directors. (earlier scheduled on 8 November 2021). Thus, CNK's observation that [redacted]was not invited to board meeting is factually incorrect. • However, he sought leave of absence to this meeting vide his email dated 9 Nov 2021. • [redacted] was aware that he being an NTPC employee (a CPSU Company) was governed by conduct rules and would have been in serious violation of code of conduct applicable to government employee, if he were to attend PFS' board meeting. Hence, he sought leave of absence.

Sequence of event indicating the Role of [redacted] in recruitment process for Director in PFS

Date	Particulars
09.03.2021	NRC and Board decides to advertise posts of Director (Operations) and Director (Finance) by 31st March 2021 and recruitment process be run by PTC Resource person. [redacted] identified as Resource Person.
21.06.2021	NRC notes that advertisement was not issued. IDs in their meeting held on 15th June 2021 had noted that advertisement was not issued. PFS clarifies its role was limited to issuance of advertisement in press after its receipt from PTC. NRC desires that Advertisement be issued by 30th June 2021.
21.06.2021	[redacted] joins Board of PFS. Inducted into NRC.
17.07.2021	[redacted] makes presentation before NRC. NRC decides in deviation to policy and past decision: - a) To invite applications only from PTC group, promoters of PTC and REC by giving three weeks' time to applicants. b) Increase Superannuation age as 62 years from 60 years. c) Consider internal candidates equivalent to candidates from promoters of PTC and REC for eligibility i.e., no relaxation to internal candidates. d) Allow Deputation/ lien because PTC was selling its stake in PFS so that they can go back in case they are uncomfortable post this event. e) Takes U-Turn on issue of press advertisement decided by NRC and Board in march 2021 and reiterated by IDs in their meeting held on 15th June and NRC meeting held on 21st June 2021. NRC ignores almost all the recommendations or suggestions of MD&CEO regarding eligibility and experience except young persons may be brought as Director by reducing entry age but making relaxation in favour of candidates approaching to age of 58 years.
20.07.2021	Application invited through letter of Chairman, PFS but the Job description not uploaded in web sites of PTC or PFS though so mentioned in the letter of Chairman, PFS addressed to CMDs of [redacted]
06.08.2021	[redacted] submits his application to [redacted] on 6th August 2021 (Last date) at 09:12 PM THROUGH EMAIL. No other person had sent applications on [redacted] email. The last date was 6th August 2021, 1700, hrs i.e., up to close of office. This fact was never reported by [redacted] or PTC HR to NRC.
07.08.2021	[redacted] forward application of [redacted] to his HR department stating that this application was received yesterday. A clear case of late receipt of application.
11.08.2021	PTC Board approves Management proposal to take pause on sale of PTC stake in PFS. But this information is never disclosed to PFS NRC or Board till 9th November 2021. For the first time when [redacted] joins PFS Board as its Chairman. On 9th November 2021, he discloses this information to Board and it becomes basis for restoration of HR powers to MD & CEO.
12.08.2021	The observations and comments of MD on eligibility criteria of candidates stating the same as extremely important are sent by PFS to PTC HR for placing the same before NRC, wherein MD also requests that he may be allowed to participate in selection/ interview process.
13.08.2021	MD sent an email to NRC members also enclosing his comments and request to allow him to participate in Selection/interview process.

Date	Particulars
13.08.2021	NRC ignores suggestions of MD&CEO and Chairman NRC rejects the request of MD on the ground that MD cannot be a member of NRC. ***NOTE:- In PESB, the CEO of company is invited to participate in interview of Directors , though CEO is not member of Selection panel as CEO's signatures are not taken on decision but CEO participates in interview and is heard in selection of candidates. Of Course CEO can not be member of NRC but there is no provision in Company Act that CEO can not participate in interview process. If Chairman NRC view was correct then no one outside NRC members should have been invited to be part of selection panel. It clearly shows intention of NRC Chairman.***
13.08.2021	NRC shortlists candidates and decides to consider all candidates who had applied for Director (Finance) for the post of Director (Operation also)
28.08.2021	Interview is held. [redacted] disassociates herself from selection of [redacted] whereas she participates in selection of another candidate from NTPC. NRC recommendations are presented to Board
28.08.2021	MD& CEO raises his reservation on selection of candidates. Board approves the selection of WTDs. For [redacted]. Board decides to approve his appointment as CFO after recommendations of Audit Committee are received.
07.09.2021	[redacted] Chairman, PFS issues appointment letter to [redacted] as D(F) & CFO, though Audit Committee had not recommended his name as CFO till then and approved by Board thus a defective appointment letter was issued without approval of competent authority. [redacted] was ED(HR), PTC handling entire case.
	NOTE: - Any of action taken by Chairman PFS without approval of Board were never placed for post facto approval of Board. In case of any deviation to already approved policies or decision, either prior or specific post facto approval is required.
13.09.2022	[redacted] informs NRC that [redacted] wants hike in CTC but was ready to join on the remuneration already offered. There is no written or formal request from [redacted] NRC approves hike of CTC in favour of [redacted] Audit Committee recommends appointment of [redacted] as CFO and Rest of Board (leaving MD&CEO) approves the hike in CTC as well as appointment of [redacted] as D(F) & CFO.
16.09.2022	Amendment to appointment letter issued by Chairman, PFS confirming hike in CTC of [redacted]
20.10. 2021	[redacted] informs through email all NRC members as well as MD&CEO and Company Secretary that *"This is for the information of the N&R Committee members only. The two WTD candidates appointed are expected to join shortly. PTC HR will ensure completion of their joining formalities and then hand over process of their orientation and also the candidates' dossiers to PFS team."*. It was clear that PFS role was to provide office space to [redacted] after his joining formalities were completed. PFS was to take no action for any documentation required for completion of Joining of [redacted]
29.10.2021	[redacted] submits his joining report to [redacted] Chairman, PFS . [redacted] instructs. "*Accept the joining report in terms of decision of the PFS Board in 138th and 139th Board meetings.*" Without completing joining formalities [redacted] come to cabin of MD&CEO and asks him to let [redacted] occupy position of D(F) & CFO. MD resists saying that he be sent after completion of Joining

Date	Particulars
	Formalities by PTC, [redacted] threatens MD and rings to all IDs as well as [redacted] stating MD was not allowing [redacted] to Join but does not tell full facts that joining formalities were not yet complete.
29.10.2021	All the three return back to PTC office and [redacted] issues an email at 13:03 hrs stating "Dear [redacted] We welcome [redacted] who has joined the PTC group family as Director (Finance &CFO) PFS. Attached scan of joining report of [redacted] who has reported for joining today in terms of decision of the Board of Directors. Best regards."
29.10.2021	[redacted] sends another email at 1607 hrs to MD&CEO, PFS stating, *"Further to mail earlier today and the trailing mail dtd. 20th October, the joining formalities in respect of [redacted] were completed. The attached documents in hard copy are now available with PTC-HR. You may advise the concerned in HR team, PFS to collect the same for safe custody at their earliest convenience."* The documents attached were only "one page Joining report submitted By [redacted] and appointment letter dated 07.09.2021 and its amendment dated 16.09.2021 issued by Chairman, PFS to [redacted]" It is a fact PTC HR also had no other document available with them and documents supplied to PFS were all the documents as available with PTCHR. Based on these documents, PFS took advice of ASG as there were no other documents. No relieving letter from NTPC was attached. The confirmation about completion of joining formalities given by [redacted] were patently false.
	As informed by [redacted] in his discussions with RMC of PTC, Chairman PFS advised [redacted] to go back and come later. [redacted] has confirmed that he had seen the relieving letter of [redacted] issued by NTPC and it was on lien basis. [redacted] neither kept the relieving letter in original nor its copy (either physical or electronic) and returns it to [redacted]. It is unheard that a person is declared as joined but all his papers related to joining are returned to that individual. It is a fraudulent act on the part of [redacted]. Also [redacted] never submits the said relieving letter either physically or through email till 17th November only after he was asked by PTCHR. [redacted] company Secretary has confirmed that he had handed over all documents required for statutory compliance to [redacted] to get the same filled and signed by [redacted]. It included DIR-2 Form. PTC HR has confirmed that such documents were never sent to [redacted] as per official record and [redacted] never submitted any documents, the most important being DIR-2 Form giving his consent to act as a Director. It means [redacted] did not forward documents to [redacted] even after receiving from [redacted]. Without this consent form, joining by [redacted] as Director was not allowed as per law. [redacted] was himself Director on Board of PFS and [redacted] had also been Director on Boards of subsidiary Companies of NTPC as mentioned in his CV and thus both were aware of the law and rules by virtue of occupying or having occupied the position. As otherwise also, the person selected for Director or having acted as Director should know the law and especially when they were at such a senior position.

Date	Particulars
	[redacted] had committed a fraud by informing all Directors that Joining formalities in respect of [redacted] were completed by 1607 hrs on 29th October 2021. If it was so, where did all the papers disappear. Why did [redacted] say that formalities can be completed in reasonable window of time. It was done by [redacted] to mislead the entire Board. [redacted] was ED(HR) in PTC till 13th November 2021 and nothing stopped him from getting documents collected from [redacted] at least relieving letter and DIR-2 Form. The facts were known only to [redacted] and [redacted]. In case it is averred that [redacted] became director of PFS defacto or dejure, he cannot join back NTPC without resigning from PFS, which he did not do and therefore a case will have to be initiated against him as he is serving in NTPC in a non bonafide manner and by concealing fact that he was an employee of some other organisation. Further, by concealing the relieving letter till 17th November 2021, he caused immense damage to PFS as the controversy was created and it reflected badly on integrity and honesty of [redacted]

EMAIL FROM [redacted]

From: [redacted]
Date: Wednesday, 20 October 2021 at 12:14 PM
To: [redacted]
Cc: [redacted]
Subject: FW: Joining of Director (Operations) & Director (Finance) in PFS

Dear Sir & Ma'am

This is for the information of the N&R Committee members only. The two WTD candidates appointed are expected to join shortly. PTC HR will ensure completion of their joining formalities and then handover the process of their orientation and also the candidates' dossiers to PFS team.

With best regards
[redacted]

C Summary of Observations from opinion from ASG dated 8th November 2021 and [redacted] report (commissioned by PTC) dated January 2022 with regard to the appointment o[redacted] for the post of Director (Finance)

I. ASG Opinion

S No of Report	Particulars	Management's Response
	CNK Observations on ASG Opinion The management received opinion of the ASG on 8th November 2021, which was presented to the Board. Further, the opinion seems to have been given only based on limited documents made available to the ASG and discussions with the briefing counsel. In our view, the aforesaid opinion is based on limited or selective documents made available and discussions and conferences with the briefing counsel and confined to the limited query as posed and sought for. It does not seem to cover the various aspects of [redacted] being appointed as Director (Finance) on 7th September 2021, and not being allowed to attend any meetings, forcing him to return to NTPC. The lack of governance in not following instructions of the Board, not intimating regulators in time, does not have been placed before the ASG for the purpose of framing his opinion. Hence the opinion needs to be considered in the light of the limited facts and documents provided and cannot be regarded as a blanket approval of the position taken by the management.	• CNK's view that ASG's opinion seems to have been given only based on limited documents made available to the ASG and discussions with the briefing counsel is baseless, without evidence and mere conjecture. • ASG was provided with the requisite information and documentation as sought by ASG. • ASG is a responsible law officer of the Government of India and is aware of his role, responsibilities and obligations under the law. It is unbecoming to make such an allegation. He will never give an opinion based on incomplete facts. • **The PFS Board had clearly decided that the candidate at Director Level is to be appointed on absorption basis and not on lien and hence the implementation of Board decision cannot be construed as the lack of governance in not following instructions of the Board. The lack of corporate governance was in [redacted] giving false information to the Board about [redacted] joining on absorption basis and [redacted] concealing material information from the Company while joining. Both these gentlemen concealed or misinformed the Board of material facts. It would have been appropriate for CNK to have highlighted the misconduct o[redacted] & [redacted] in its report.** • It may also be noted that the **guidelines of the Department of Public Enterprises (DPE) prohibit maintaining a lien when leaving a PSU and joining a private company.** • The entire process of recruitment of Whole-Time Directors in PFS was run and managed by PTC HR and PFS had no role to play till the joining formalities including statutory compliances of Whole-Time Directors were completed.

S No of Report	Particulars	Management's Response
		• It is inappropriate to mention that "not intimating regulators in time, does not have been placed before the ASG for the purpose of framing his opinion" since it has no impact on the joining process / defects in documents. It may be emphasized that the Company submitted requisite information to regulators and exchanges as was required in accordance with the law. • PFS has obtained signed opinion of ASG, a responsible law officer of the Government and CNK should have made their observation based on ASG signed opinion. ASG gives his opinion after perusing the requisite documents as required for framing his opinion and it is inappropriate to say that "Hence the opinion needs to be considered in the light of the limited facts and documents provided" without providing the basis of such statement and the documents which were missing to be seen by ASG. • CNK's allegation that [redacted] was forced to return to NTPC are baseless and factually incorrect. CNK has completely ignored the fraudulent conduct of [redacted] in withholding his relieving letter from NTPC and concealing the information that he has retained lien in NTPC. This was clearly in violation of PFS' Board's decision that Whole-Time Directors shall join on absorption basis as also confirmed by CNK in his report. • There was no consent received from [redacted] including DIR 2 Form, accordingly, he never joined PFS Board and he was never a Director on Board of PFS. Hence, no intimation to Regulator/Exchange without fulfilling legal requirement could have been given.

II [redacted] Report

S No of Report	Particulars	Management's Response
	CNK Observations on [redacted] Report The management has received the [redacted] Report in January 2022. It has not been presented to the Board. The sequence of events for appointment of [redacted] does not seem to have been considered and there are no comments on the same in the report. It seems that the scope of the [redacted] assignment was limited to review of the process of appointment of WTD based only on documents submitted by the company with no independent verification carried out. Also, they were appointed by PTC, the holding company of PFS, and there was no information given or shared with the Board of PFS for the same. In view of this, therefore, the report does not seem to have considered points like whether notices of the meeting of the Board and Audit Committee was issued to [redacted] in the capacity of Director Finance & CFO	• The observation is factually incorrect. The [redacted] report was requisitioned by PTC India Limited and NOT the Management of PFS. This is admitted by CNK in the same itself. • PTC are PFS independent listed entities, PFS does not have access information regarding a report commissioned by PTC India Limited and therefore PFS cannot inform its about board the same, unless PTC advises the Company to place it before the PFS' Board. • The comments made by CNK that the sequence of events for appointment of [redacted] does not seem to have been considered and there are no comments on the same in the report are not correct since [redacted] has analysed the present case of hiring of Director (Finance) and Director (Operations) which is evident from their report. In this recruitment process, [redacted] was appointed as Director (Finance) & CFO. • CNK seems to have completely ignored the concerns raised by [redacted] in regard to appointment of Director (Finance) & CFO, which states as under: *"The process followed for the hiring of the Director – Finance and the Director – Operations was evaluated from the lenses of compliance, industry alignment of practices and from a governance perspective and was found to have multiple gaps across every stage of the hiring and selection process.* *Right from the identification of the need for the position to creating the job descriptions and the ideal candidate profile, there was no consideration given to the industry and the practices of some of the leading NBFCs. This was done in an environment where there have been large public scandals and lapses in governance. The hiring committee did not place due emphasis on assessing the current capability of the Board and finding candidates/profiles who complement the existing skill sets nor*

S No of Report	Particulars	Management's Response
		did the committee focus on identifying the right individuals to assess the incoming profiles. *The applications were invited from the Group itself, despite 3 of the 4 group companies belonging to a power generation and transmission background. Despite emails from the CEO & MD for looking at individuals from the open market to bring in a fresh perspective, there were limitations on the diversity of the talent pool while in the past applications were posted in newspapers and solicited applications from the open market. This was followed by a short application window, no guidelines on the minimum number of candidates that need to apply to a position for the candidates to be evaluated and the position to be filled. Additionally, the entire process was carried out in a hushed manner with unexplained and unwarranted secrecy and speed wherein no relaxations in age were given to internal candidates who came from a NBFC background.* *Considering that the entire process was driven by the Group CRO and applications were only accepted from the Group, the independence in the assessment of the candidates can not be guaranteed. Additionally, despite notices from the RBI on the absence of Arm's Length between the Group and the organization, no steps were taken to ensure diversity of candidatures and/or selection panel.* *Additionally, the candidate who was selected in the Director – Finance post was from a non – NBFC background despite the job description explicitly mentioning 20+ years of experience in an NBFC as a fundamental requirement. There was no scoring of candidates, no formal documented evaluation, no psychometric evaluations and more importantly there were no one – one discussion(s) with the immediate hiring manager and with the Board of the candidates (besides the hiring committee). There was no consensus with the MD & CEO who also happens to be the role holder who is responsible for daily operational interactions and for deciding and working on the joint strategic directive for the organization, with the selected candidate. The importance of*

S No of Report	Particulars	Management's Response
		consensus in hiring a senior managerial position cannot be re-emphasized. *Besides this there were irregularities in submitting documents on time from the candidates end, the issue of deputation for the hired incumbent and specific changes in the remuneration post the offer had been released once.* *Considering that the organization is listed, operates in a highly regulated environment and there are significant irregularities in the process. The organization should relook at the entire hiring process including the current hiring of the Director – Operations and the Director - Finance and re-evaluate the director selection process that is being followed in the organization. Additionally, the organization needs to look at introducing effective mechanisms to measure and evaluate the performance of the Board and its Directors to ensure that the due process is followed, and appropriate feedback can be communicated to Directors and Board members in a systemic and scientific manner."* • It must be noted that [redacted] Report was issued on 19th January 2022 and on the same day the Ex Independent Directors had resigned from PFS. • Further, it may be mentioned that in the Board meeting of PFS held on 8th November 2021, which was Chaired by [redacted] the then Independent Chairman, [redacted] had clarified that [redacted] was yet to submit certain documents including his relieving letter from [redacted] vigilance clearance etc as on that date. Thus, the joining formalities of [redacted] were incomplete and he had not joined PFS and [redacted] was not a Board Member, thus, not entitled to receive the notice of Board meetings or participate therein. • [redacted], the then Company Secretary informed the Board that no intimation regarding joining of [redacted] had been sent to stock exchanges. • [redacted] was with regard to the recruitment process and as such, the matters like issuance of notices for Board / Audit Committee meetings are irrelevant.

S No of Report	Particulars	Management's Response
		• [redacted] did not complete his joining formalities and never became a Director of PFS, hence he was not eligible to be invited to PFS' Board meetings. CNK's observations are baseless, misplaced and misleading. [redacted] did not join PFS Board hence, notices of PFS' Board meetings could not have been issued to him as per law of the land. • It must be noted that CNK has made a factually incorrect statement that notice of audit committee meeting was sent to [redacted]. [redacted] was not made a member of audit committee at any point of time since he was not even a Board member of PFS and accordingly, no notice of any audit committee meeting could have been sent to him.

D Extracts from observations of Ex-independent Directors w.r.t to Director Finance and CFO [redacted] as per resignation letter dated 19th January 2022

S No of Report	Particulars	Management's Response
	Background of appointment of Director (Finance) and CFO [redacted] had been appointed by the Board as Director (Finance) & CFO after following the Board run process. The current Managing Director did not allow him to join and function as Whole Time Director (Finance) & CFO, although he had already joined the Company vide his joining report dated 29th October 2021. The Management had also informed the stock exchanges suitably in September on his acceptance of the offer	• The entire recruitment and joining process of [redacted] was handled by PTC HR. The MD&CEO had no role to play at any stage. • **It is pertinent to mention that the allegations made by Ex-Independent Directors that Managing Director did not allow him to join and function as Whole Time Director (Finance) & CFO are merely based on hearsay. They have not provided any documentary evidence regarding the same. [redacted], the then Chairman PFS also did not provide any documentary evidence regarding the said allegations against MD&CEO. CNK seems to have remained silent upon this basic premise for the in its entire report.** • **MD&CEO, PFS was completely disempowered by the erstwhile Chairman / Board. MD&CEO had no powers to decide on the appointments, transfers, promotions and postings at the level of functional head and one level below. In other words, the MD&CEO could not even appoint a Manager in PFS and even RBI, the regulator of NBFCs had raised concerns.** • The Company informed the stock exchanges that the Board of Directors in their meeting held on 13th September 2021 has approved the appointment of [redacted] as Whole-Time Director (Finance) & CFO w.e.f. date of his joining and appointment of [redacted] as Director (Operations) w.e.f. date of his joining. • There was no announcement to the stock exchanges on acceptance of offer by [redacted] nor has CNK provided any evidence of the same. • As communicated by [redacted] vide his email dated 20th October 2021, PTC HR was required to ensure completion of their joining formalities and then handover the process of their orientation is placed at the end. • [redacted] did not complete his joining formalities on 29th October 2021 which stipulated submission of release order from his last organisation, self

S No of Report	Particulars	Management's Response
		attested copies of qualification and experience certificates. The appointment letter also mentioned that **if any declaration given by [redacted] at the time of his joining is found to be wrong or if found to be wilfully suppressed any material information, the appointment itself shall be deemd to be void.** • **The minutes of the board meeting held on 13th September 2021 clearly indicate that hiring of candidates was to be on absorption basis only for Director level people** and that PFS should not overlook any procedure in this regard. Therefore, [redacted]**s release on lien basis, and maintaining lien till 30 Sept 2023 is contradictory to aforementioned board's decision of hiring candidate on absorption basis. This document was submitted for the first time by [redacted] on 17th November 2021, thus his joining in PTC was incomplete. His concealing this vital fact amounts to an act of fraud.** • [redacted] submitted joining report dated 29 October 2021. However, his Release order from [redacted] was shared by him with PTC HR and not with PFS for the first time only on 17 November 2021 through email and his copies of qualification certificates on 18 November 2021. As per offer of appointment dated 7 Sept 2021, he was required to provide the 'release order' and 'qualification certificates' at the time of joining. • The joining report was defective since the date of joining was mentioned as 29 September 2021. • [redacted] had retained lien on the post of Chief General Manager in [redacted] for a period upto 30 September 2023. This fact was not disclosed by [redacted] at the time of submission of his joining report. Also appointment letter was issued on absorption basis. • It may be mentioned that Nomination and Remuneration Committee of PFS, in its meeting held on 23rd December 2019, took the strange and unprecedented decision that all the HR matters of PFS shall be dealt with the approval of Director (HR), PTC, which included, matter related to appointments, transfers, postings, promotions etc. and internal communication to employee. PFS (HR) team was to assist Director (HR), PTC in all these matters. • Subsequently, in its meeting held on 27th January 2020, the NRC made certain amendments to above. However, MD&CEO continued to be

S No of Report	Particulars	Management's Response
		completely disempowered by the erstwhile Chairman / Board. MD&CEO had no powers to decide on the appointments, transfers, promotions and postings at the level of functional head and one level below. In other words, the MD&CEO could not even appoint a Manager in PFS. • This abnormal arrangement diminished the arm's length relationship between the holding company and its subsidiary. • RBI raised concern on arm's length relationship of Company with its Parent Company i.e. PTC India Limited in its inspection report and mentioned that Arm's length relationship with its parent company, PTC India Limited, was not ensured w.r.t the management of human resources. • RBI also raised this as a Supervisory Concern during its inspection for the year ended 31st March 2020 and directed that the company shall ensure arm's length relationship with its parent company, i.e. PTC India Limited, w.r.t the management of human resources. • The inspection report and supervisory concerns were raised by RBI vide its letters dated 12th May 2021 and 4th June 2021 respectively. • The above inspection reports and directions of RBI were placed before the Board of PFS, which regrettably did not comply. • The concerns raised by RBI were also reviewed by the Ministry of Power (MoP) which directed PTC and PFS to comply with RBI's report and recommendations to the satisfaction of RBI. • MoP specifically directed reversing of decisions that impair proper Corporate Governance, maintenance of suitable arm's length distance between the two companies and immediately addressing the conflicts. • In blatant disregard to the supervisory concerns and inspection findings of RBI, and directives issued by MoP, the erstwhile and Board decided to entrust the entire process of appointment of Directors to HR of PTC India Limited. • The then Non-Executive Chairman issued the appointment letter to [redacted] on 7th September 2021 even before the PFS Board accepted and approved the recommendations of N&R Committee and Audit Committee and approved the appointment of [redacted] for the position of Director (Finance) & CFO by PFS Board. The same is evident from the minutes of Board meeting held on 13th September 2021.

S No of Report	Particulars	Management's Response
		• It is pertinent to mention that the Board authorised the then Non-Executive Chairman to take all actions relating to appointment [redacted] and undue haste was exercised to ensure the joining [redacted] on 29th October 2021 without submission of required documents as stipulated in appointment letter signed by the then Chairman. • The joining process was led by the then Chairman and [redacted] HR PTC and it was closer to the last day of the then Chairman. • It may also be noted that the guidelines of the Department of Public Enterprises (DPE) prohibit maintaining a lien when leaving a PSU and joining a private company • Being a PSU employee, [redacted] was not eligible to retain Lien while joining a private sector company. Thus, he retained a lien probably by misrepresentation [redacted] a CPSU. • [redacted] **HR Head PTC informed the Board in its meeting held on 13th September 2021 that [redacted] was joining on absorption basis.** This was a factually incorrect statement as the relieving letter [redacted] which was made available by him later in November 2021 was not on absorption basis. Board approved the appointment of WTDs based on this confirmation given to them. The letter of appointment was issued on absorption basis and it had no option of deputation/lien in any of its covenants. • It is pertinent to note that the erstwhile audit committee itself found that the experience of [redacted] is questionable as evident from the minutes of meetings of Audit Committee and Board held on 13th September 2021. o The Audit Committee members in the audit committee Chaired by [redacted] realised that [redacted] did not possess NBFC experience. However, rather than making their own independent assessment, audit committee relied on the views of N&R Committee. Instead, the audit committee members were of the view that Sh. Ratnesh will be assisted by the team of experienced professionals in PFS who have good experience of NBFC sector and also have the guidance of MD&CEO to work as Director (Finance) & CFO. In effect, the Audit Committee recommended that [redacted] be trained in his job as a Director, drawing a compensation of over one crore plus perks, be trained and taught his job by the MD.

S No of Report	Particulars	Management's Response
		• It is also to be noted that in accordance with the Master Directions issued by RBI, PFS is required to furnish to RBI, a certificate signed by the Managing Director confirming that fit and proper criteria in selection of the Directors has been followed. Therefore, the MD&CEO had a legal obligation to ensure that the selection of [redacted] was fit and proper, notwithstanding that the entire process was managed by PTC HR. • **Thus, it is clearly visible that CNK has presented its finding without taking cognisance of the complete set of documents and information made available to them and they have made baseless allegations against the PFS management.** • **CNK has correctly mentioned in sequence of events no. XVII that addendum to the appointment letter was issued on 16th September 2021 to [redacted] under the signature of Chairman, PFS. This addendum, however, was not signed by [redacted]** • **The intimation sent to exchanges by PFS did not contain any statement about acceptance of offer by [redacted]**
	Comments of Independent Directors on ASG Opinion Report dated 08th November 2021 In this context, an opinion was taken from Additional Solicitor General ("ASG"), without informing the Board. This opinion mentions that joining process of [redacted] is incomplete. It is pertinent that the opinion does not dispute the fact that [redacted] had joined the Company and same is informed to the as per the board resolution And informed to the stock exchanges. Nor does it say that he cannot function as a director on the Board pending the completion of this joining process. Regrettably, the Independent Directors were not given the briefing note given to the ASG even after we requested that this be provided to us. Thus, we do not know if the facts were properly placed before the ASG including the views of [redacted]. We also do not know the exact queries and factual background placed before the ASG for his opinion. Repeated requests for information regarding his status were all met	• The comments of Ex Independent Directors on ASG's opinion are highly unethical, unprofessional, baseless, without evidence and mere conjecture. • ASG was provided with the requisite information and documentation as sought by ASG as available with PFS. • ASG is a responsible law officer of the Government of India and is aware of his role, responsibilities and obligations under the law. It is unbecoming to make such an allegation. He will never give an opinion based on incomplete facts. • **The PFS Board had clearly decided that the candidate at Director Level is to be appointed on absorption basis and not on lien and hence the implementation of Board decision cannot be construed as the lack of governance in not following instructions of the Board. The lack of corporate governance was in [redacted] giving false information to the Board about [redacted] joining on absorption basis**

S No of Report	Particulars	Management's Response
	with silence. However, on our insistence he was invited for the Board meeting on the 9th of November and copied on the relevant circular resolutions on the 8th. However, this did not happen in the subsequent meeting/Circular Resolutions	**and [redacted] concealing material information from the Company while joining. Both these gentlemen concealed or misinformed the Board of material facts. It would have been appropriate for CNK to have highlighted the misconduct of [redacted] & [redacted] in its report.** • The entire process of recruitment of Whole-Time Directors in PFS was run and managed by PTC HR and PFS had no role to play till the joining formalities including statutory compliances of Whole-Time Directors were completed. • PFS has obtained signed opinion of ASG, a responsible law officer of the Government and CNK should have made their observation based on ASG signed opinion. ASG gives his opinion after perusing the requisite documents as required for framing his opinion and it is inappropriate to say that "Hence the opinion needs to be considered in the light of the limited facts and documents provided" without providing the basis of such statement and the documents which were missing to be seen by ASG. • It may be mentioned that the meeting of Board of Directors of PFS held on 8th November 2021 was Chaired by [redacted] the then Independent Chairman and the minutes were also approved and signed by him. In the said meeting, the Ex Independent Directors objected to non-issuance of notice of the Board meeting to [redacted] which was clarified by [redacted] that [redacted] was yet to submit certain documents including his relieving letter from [redacted] vigilance clearance etc as on that date. Thus, the joining formalities of [redacted] were incomplete and he had not joined PFS and [redacted] was not a Board Member. • In view of this factual statement of CMD PTC, [redacted] was not entitled to receive the notice of Board meetings or participate therein. • [redacted] the then Company Secretary informed the Board that no intimation regarding joining of [redacted] had been sent to stock exchanges. • **Inspite of above assertions, the Ex Independent Directors forced the Company to invite [redacted] to attend the Board meeting on 9th November 2021. The said action of Ex Independent Directors is clearly a violation of law.** • **It is clearly recorded in the minutes of Board meeting held on 8th**

S No of Report	Particulars	Management's Response
		November 2021 approved by [redacted] that [redacted] stated that it would be better to invite [redacted] for the meeting and ask him if he does not want to attend, he can ask for leave of absence. • [redacted] asked leave of absence from meeting held on 9th November 2021. • It is clearly recorded in the minutes of Board meeting held on 9th November 2021 that on request of Independent Directors, invite was sent to [redacted] • Thus, [redacted] was invited only at the instance of Ex Independent Directors which was clearly a violation of law since [redacted] was not eligible to receive the notice of Board meetings and participate therein as Director of PFS. • It is factually incorrect that repeated requests from Ex Independent Directors for information regarding his status were all met with silence. [redacted] the Non-Executive Chairman of PFS was in discussions with Ex Independent Directors. He had informed PTC RMC also that since 9th November 2021, there were more than 50 calls with Independent Directors and two video informal meetings to explain them the various issues. This is mentioned in the PTC RMC report also. • It is to be noted that [redacted] Chairman PFS vide his email dated 14th December 2021 addressed to all Ex Independent Directors, conveyed that the directives of Ministry of Power advising both entities to ensure Corporate Governance as pointed out by RBI. In this connection, PTC and PFS should comply with RBI's report and recommendation to the satisfaction of RBI forthwith without any further delay. This includes reversal of decisions that impair proper Corporate Governance, maintenance of suitable arm's length distance between two companies and immediately addressing the conflicts. He informed that their points may first be considered through a discussion in the Board and a separate legal opinion may be taken to facilitate resolution of any ambiguity, if any. • [redacted] Chairman PFS vide his email dated 17th December 2021 addressed to all Ex Independent Directors, informed that PFS Board in last six months has met several times and deliberated the governance issues including RBI inspection report. However, in the board meeting held on 8th November 2021 it was emphasized by him that the issue needs to be

S No of Report	Particulars	Management's Response
		addressed in all aspects which includes but not limited to regulatory, administrative and legal.
	Hiding of information from Board Only on 10th January 2022 we were informed by the Company Secretary that [redacted]ad re-joined [redacted]) on 6th December 2021. No explanation was given as to why he re-joined [redacted] and the circumstances that led to his returning to [redacted] Moreover, it was alleged that he withheld the fact that he had come from [redacted]on lien. If this was indeed so it is not clear why this fact was not placed before the Board for a decision on the further course of action. This assertion does not also tally with the facts that we have informally ascertained. As has been implied in the same email the fact that he came on lien is mentioned in his relieving letter issued by [redacted] If so, how did he join without sharing his relieving letter. We are unfortunately not able to come to any definitive conclusion on this issue as the management had steadfastly refused to share all relevant information with the Board, though repeatedly requested by all the Independent Directors	• **MD&CEO, PFS was completely disempowered by the erstwhile Chairman / Board. MD&CEO had no powers to decide on the appointments, transfers, promotions and postings at the level of functional head and one level below. In other words, the MD&CEO could not even appoint a Manager in PFS and even RBI, the regulator of NBFCs had raised concerns.** • It may be mentioned that Nomination and Remuneration Committee of PFS, in its meeting held on 23rd December 2019, took the strange and unprecedented decision that all the HR matters of PFS shall be dealt with the approval of Director (HR), PTC, which included, matter related to appointments, transfers, postings, promotions etc. and internal communication to employee. PFS (HR) team was to assist Director (HR), PTC in all these matters. • Subsequently, in its meeting held on 27th January 2020, the NRC made certain amendments to above. However, MD&CEO continued to be completely disempowered by the erstwhile Chairman / Board. MD&CEO had no powers to decide on the appointments, transfers, promotions and postings at the level of functional head and one level below. In other words, the MD&CEO could not even appoint a Manager in PFS. • The joining process was led by the then Chairman and [redacted], HR PTC and it was closer to the last day of the then Chairman. • [redacted] submitted joining report dated 29 October 2021. However, his Release order from NTPC was shared by him for the first time only on 17 November 2021 through email and his copies of qualification certificates on 18 November 2021. As per offer of appointment dated 7 Sept 2021, he was required to provide the 'release order' and 'qualification certificates' at the time of joining. • The joining report was defective since the date of joining was mentioned as 29 September 2021.

S No of Report	Particulars	Management's Response
		• [redacted] retained lien on the post of Chief General Manager in [redacted] a period upto 30 September 2023. This fact was not disclosed by [redacted] at the time of submission of his joining report. Also appointment letter was issued on absorption basis. • It may also be noted that the guidelines of the Department of Public Enterprises (DPE) prohibit maintaining a lien when leaving a PSU and joining a private company • Being a PSU employee, [redacted] was not eligible to retain Lien while joining a private sector company. Thus, he retained a lien probably by misrepresentation to [redacted], a CPSU. • The minutes of the board meeting held on 13th September 2021 clearly indicate that hiring of candidates was to be on absorption basis only for Director level people and that PFS should not overlook any procedure in this regard. Therefore, [redacted]s release on lien basis and maintaining lien till 30 Sept 2023 is contradictory to aforementioned board's decision of hiring candidate on absorption basis. His concealing this vital fact amounts to an act of fraud. • **[redacted], HR Head PTC informed the Board in its meeting held on 13th September 2021 that [redacted] is joining on absorption basis.** This was a **factually incorrect statement.** Board approved the appointment of WTDs based on this confirmation given to them. The letter of appointment was issued on absorption basis and it had no option of deputation/lien in any of its covenants. • [redacted] did not submit Form DIR2 duly signed and accordingly, he never joined PFS.
	Management is keen to run the company with one Whole time Director It is pertinent to add that the Company was functioning for more than two years with only two full time Directors against the three authorized positions. The second Director had also retired and management appeared to be keen to run the company with one. For a listed NBFC in the business of lending, the Directors felt that this	• **MD&CEO, PFS was completely disempowered by the erstwhile Chairman / Board. MD&CEO had no powers to decide on the appointments, transfers, promotions and postings at the level of functional head and one level below. In other words, the MD&CEO**

S No of Report	Particulars	Management's Response
	was fraught with risk	**could not even appoint a Manager in PFS and even RBI, the regulator of NBFCs had raised concerns.** • As mentioned in sequence of events above by CNK, the Board of Directors in their meeting held on 12th November 2018, noted the minutes of 32nd and 33rd NRC meeting and regarding the actions for filling up the position of Director (Finance) & CFO, the various aspects were discussed by the Board including identification of the suitable candidate for the post and its requirement and the Board decided that the Nomination & Remuneration Committee may issue the advertisement for the position of Executive Director level / EVP and in order to attract good candidates a clause be inserted in the advertisement that based on her/his performance there exists possibility of further elevation to board level position. • Thus, it was Board's decision in November 2018 not to appoint Director (Finance). • Thereafter, it was only in the board meeting held on 9th March 2021 that the Board agreed that advertisements for the post of Director (Finance) & CFO and Director (Operations) be issued by 31st March 2021 since Director (Operations) will be superannuating in July 2021. The Board was also of the opinion that the same process may be followed for the selection as was done earlier incase of appointment of MD &CEO and the recruitment process would be handled by a resource person from PTC, as was in case of MD & CEO. [redacted] was identified as the resource person for the said job from PTC. • Director (Operations) superannuated in July 2021. Till then there were two Whole-Time Directors in the Company.
	Making the NRC dysfunctional The Chairman NRC, [redacted] had requested for an NRC meeting to be held after the management repeatedly did not heed requests to convene one. This was done as the company was in grave danger of violating certain timelines under LODR. He was then requested on behalf of the Chairman to postponeit by a few days ostensibly to enable the management to include some agenda.	• The above comments are baseless and factually incorrect. Moreover, there was no regulatory non-compliance. • It may be mentioned that the term of [redacted] as Independent Director on PFS Board ended on 14th October 2021. • The Company was required to induct a Woman Independent Director within 90 days of vacancy and accordingly, such induction was required to

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	When this was acceded to, the Chairman PTC promptly withdrew the nomination of [redacted] the PFS Board. This led to the NRC becoming dysfunctional which appeared to be the intention. [redacted] pointed this out to Chairman PTC/PFS the same day - December 11th. Even after that no corrective action was taken. On December 31st a circular resolution was sent out. However, as it was severely defective it could not be approved. The NRC remained dysfunctional till the time we all resigned.	be done by 12th January 2022. There was no regulatory non-compliance as there was sufficient time to appoint Woman Independent Director on PFS Board. • However, it can be clearly verified from the emails sent by all the then Independent Directors of PFS, through their emails dated 18th December 2021 addressed to Chairman PFS that the primary intention of the independent directors was to grant extension in the tenure of one of the independent director. • The emails sent by all the then independent directors on 18th December 2021 addressed to Chairman PFS, interalia stated that "you have referred to compliance of SEBI LODR. While this is important **there are other matters that need the urgent attention of the NRC. The most important of these at present is the extension / reappointment of [redacted] as Independent Director for a period of three years as his present term ends on 31st December 2021. Your email is unfortunately silent on this issue."** • It is pertinent to mention that the policy of PFS for appointment of independent directors, as was existing on 18th December 2021, stipulated the maximum age of independent director at the time of appointment as 67 years and the said independent director had already completed 68 years of age on the proposed date of his reappointment and thus, **was not eligible to be appointed in terms of policy of the Company.** • However, the resigning independent directors were forcing to call a meeting of the NRC for appointing an ineligible independent director on the board of Company. • All this information was made available to CNK but CNK has chosen not to present the same in its report nor point out the impropriety and corporate mis-governance in the ex-IDs in regard to re-appointing ID despite being ineligible. • It is also pertinent to mention that NRC could not be reconstituted on 31st December 2021 since all the then independent directors had rejected the proposal to reconstitute the NRC on the grounds that resolution by circulation was not sent to [redacted] whereas [redacted] was never a Director of PFS either *de jure* or *de facto*.

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		• It is important to note that [redacted], the Non-Executive Chairman of PFS was in discussions with Ex Independent Directors. He had informed PTC RMC also that since 9th November 2021, there were more than 50 calls with Independent Directors and two video informal meetings to explain them the various issues. This is mentioned in the PTC RMC report also. • It is to be noted [redacted], Chairman PFS vide his email dated 14th December 2021 addressed to all Ex Independent Directors, conveyed that the directives of Ministry of Power advising both entities to ensure Corporate Governance as pointed out by RBI. In this connection, PTC and PFS should comply with RBI's report and recommendation to the satisfaction of RBI forthwith without any further delay. This includes reversal of decisions that impair proper Corporate Governance, maintenance of suitable arm's length distance between two companies and immediately addressing the conflicts. He informed that their points may first be considered through a discussion in the Board and a separate legal opinion may be taken to facilitate resolution of any ambiguity, if any. • [redacted] Chairman PFS vide his email dated 17th December 2021 addressed to all Ex Independent Directors, informed that PFS Board in last six months has met several times and deliberated the governance issues including RBI inspection report. However, in the board meeting held on 8th November 2021 it was emphasized by him that the issue needs to be addressed in all aspects which includes but not limited to regulatory, administrative and legal.

E Extracts of comments of 2 Independent Directors and members of the PTC RMC, [redacted] and [redacted] on the draft report of Risk Management Committee of PTC on governance issues arising out of resignation letters of independent directors

S No of Report	Particulars	Management's Response
	CNK Observations on extracts of comments of 2 Independent Directors and members of the PTC RMC [redacted] and [redacted] on the draft report of Risk Management Committee of PTC on governance issues arising out of resignation letters of independent directors The above detailed observations made by 2 members (Independent Directors) of PTC RMC, (one of these is current ID of the company), by referring to the sequence of events and the correspondence with [redacted] also bring out the views of independent directors that the management of the company were trying to ensure that [redacted] was not appointed (or for that matter anyone else also as WTD – Finance) and that the lapses, if at all, in his appointment, were merely technical and curable. This again brings out the fact that the management did not want introduction of 'checks and balances' which would have come into play on appointment of a whole time Director (Finance).	• The allegations raised by CNK that the management did not want introduction of 'checks and balances' which would have come into play on appointment of a whole time Director (Finance) are baseless and without careful and detailed evaluation of the documents / information provided to them by PFS and not backed by any concrete evidence. • It is highly inappropriate to say that the management did not want introduction of 'checks and balances' which would have come into play on appointment of a whole time Director (Finance). On the contrary, CNK's findings are without any detailed verification of the documents / information provided to them by PFS and evaluation of the facts. • It is emphasized that the PTC Board approved the PTC RMC report by majority and thus the report and its conclusion have been approved and the report is final. The minority view expressed by 2 independent directors does not supersede the Board's decision that has been approved by majority. This is a fundamental principle of law. • **The comments of 2 Independent Directors and members of the PTC RMC, [redacted] and [redacted] on the draft report of PTC RMC have been duly considered by the PTC Board, which thereafter approved the PTC RMC report. Hence, they are now no longer relevant as they have been addressed and responded to both by the Board and PTC RMC in Annexure 27 of the PTC RMC report.** • It is pertinent to mention that while deliberating upon the PTC RMC Report in PTC Board meeting, One of the nominee Director had specifically asked in PTC Board meeting whether joining by [redacted] on lien basis instead of absorption basis was a curable act as the Board of PFS had decided to appoint WTDs on absorption basis. [redacted] Director stated that it was curable in three ways: either [redacted] could have sought revised relieving letter without lien or MD&CEO would have allowed him to join on lien or Board could have reversed its decision and restored the decision taken prior to approval of appointment of [redacted]

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		• One of the nominee Director stated that in case MD&CEO would have allowed joining on lien, it would have been contempt of Board's approval. CMD(I/C) PTC stated that the fact that [redacted] had got relieving on lien basis came to knowledge only on 17th November when he first time shared his relieving letter with PTC HR. He never requested for waiver of lien condition and joined back [redacted] on 6th December, 2021. • As recorded in PTC Board minutes, the then Chairman, PFS and [redacted] had taken a decision based on a document which was not available, whereas the relieving letter without lien was required to substantiate his eligibility to join. His relieving without lien was not proved even till the date of PTC board meeting. Such a role and conduct of ex-Chairman, PFS being reason of his agitation shows weak corporate governance from side of ex-Chairman, PFS. The role and conduct of former IDs and Chairman of PFS also needs to be seen by PFS Board and required actions should be taken. It was opined that lack of governance displayed by the then Chairman, PFS should be included in the report. • As mentioned in sequence of events above by CNK, the Board of Directors in their meeting held on 12th November 2018, noted the minutes of 32nd and 33rd NRC meeting and "*with respect to the actions for filling up the position of Director (Finance) & CFO, the various aspects were discussed by the Board including identification of the suitable candidate for the post and its requirement. After detailed discussions, the Board desired that the Nomination & Remuneration Committee may consider to issue the advertisement for the position of Executive Director level / EVP and in order to attract good candidates a clause be inserted in the advertisement that based on her/his performance there exists possibility of further elevation to board level position.* • The Board decided that in place of Director (Finance), the advertisement for the position of Executive Director level / EVP may be issued who can be later elevated to board level position. Thus, Board decided not to appoint Director (Finance). • The PFS's stand is also backed by an opinion provided by ASG. • **MD&CEO, PFS was completely disempowered by the erstwhile Chairman / Board. MD&CEO had no powers to decide on the appointments, transfers, promotions and postings at the level of**

S No of Report	Particulars	Management's Response
		functional head and one level below. In other words, the MD&CEO could not even appoint a Manager in PFS and even RBI, the regulator of NBFCs had raised concerns. • It may be mentioned that Nomination and Remuneration Committee of PFS, in its meeting held on 23rd December 2019, took the strange and unprecedented decision that all the HR matters of PFS shall be dealt with the approval of Director (HR), PTC, which included, matter related to appointments, transfers, postings, promotions etc. and internal communication to employee. PFS (HR) team was to assist Director (HR), PTC in all these matters. • Subsequently, in its meeting held on 27th January 2020, the NRC made certain amendments to above. However, MD&CEO continued to be completely disempowered by the erstwhile Chairman / Board. MD&CEO had no powers to decide on the appointments, transfers, promotions and postings at the level of functional head and one level below. In other words, the MD&CEO could not even appoint a Manager in PFS. • This abnormal arrangement diminished the arm's length relationship between the holding company and its subsidiary. • RBI raised concern on arm's length relationship of Company with its Parent Company i.e. PTC India Limited in its inspection report and mentioned that Arm's length relationship with its parent company, PTC India Limited, was not ensured w.r.t the management of human resources. • RBI also raised this as a Supervisory Concern during its inspection for the year ended 31st March 2020 and directed that the company shall ensure arm's length relationship with its parent company, i.e. PTC India Limited, w.r.t the management of human resources. • The inspection report and supervisory concerns were raised by RBI vide its letters dated 12th May 2021 and 4th June 2021 respectively. • The above inspection reports and directions of RBI were placed before the Board of PFS, which regrettably Board did not comply inspite of being opined by MD&CEO that Company should comply with RBI's observations / concerns. • The concerns raised by RBI were also reviewed by the Ministry of Power (MoP) which directed PTC and PFS to comply with RBI's report and recommendations to the satisfaction of RBI.

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		• MoP specifically directed reversing of decisions that impair proper Corporate Governance, maintenance of suitable arm's length distance between the two companies and immediately addressing the conflicts. • In blatant disregard to the supervisory concerns and inspection findings of RBI, and directives issued by MoP, the erstwhile and Board decided to entrust the entire process of appointment of Directors to HR of PTC India Limited. • From the above, it is clear that there was blatant disregard of regulatory directives and procedural compliances by HR PTC. • The then Non-Executive Chairman issued the appointment letter to [redacted] on 7th September 2021 even before the PFS Board accepted and approved the recommendations of N&R Committee and Audit Committee and approved the appointment of [redacted] for the position of Director (Finance) & CFO by PFS Board. The same is evident from the minutes of Board meeting held on 13th September 2021. • It is pertinent to mention that the Board authorised the then Non-Executive Chairman to take all actions relating to appointment of [redacted] and undue haste and coercive tactics were exercised to ensure the joining of [redacted] on 29th October 2021 without submission of required documents as stipulated in appointment letter signed by the then Chairman. • The joining process was led by the then Chairman and [redacted], HR PTC and it was closer to the last day of the then Chairman. • [redacted] submitted his joining report dated 29 October 2021. However, his Release order from [redacted] was shared for the first time by him only on 17 November 2021 through email and his copies of qualification certificates on 18 November 2021. As per offer of appointment dated 7 Sept 2021, he was required to provide the 'release order' and 'qualification certificates' at the time of joining. • The joining report was defective since the date of joining was mentioned as 29 September 2021. • [redacted] had retained lien on the post of Chief General Manager in [redacted] for a period upto 30 September 2023. This fact was not disclosed by [redacted] at the time of submission of his joining report. Also appointment letter was issued on absorption basis.

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		• It may also be noted that the guidelines of the Department of Public Enterprises (DPE) prohibit maintaining a lien when leaving a PSU and joining a private company • Being a PSU employee, [redacted] was not eligible to retain Lien while joining a private sector company. Thus, he retained a lien probably by misrepresentation to [redacted] a CPSU. • The minutes of the board meeting held on 13th September 2021 clearly indicate that hiring of candidates was to be on absorption basis only for Director level people and that PFS could not have overlooked any procedure in this regard. Therefore, [redacted]'s release on lien basis and maintaining lien till 30 Sept 2023 is contradictory to aforementioned board's decision of hiring candidate on absorption basis. His concealing this vital fact amounts to an act of fraud. • **[redacted] HR Head PTC informed the Board in its meeting held on 13th September 2021 that [redacted] is joining on absorption basis. This was a factually incorrect statement.** Board approved the appointment of WTDs based on this confirmation given to them. The letter of appointment was issued on absorption basis and it had no option of deputation/lien in any of its covenants. • It is pertinent to note that the erstwhile audit committee itself found that the experience of [redacted] is questionable as evident from the minutes of meetings of Audit Committee and Board held on 13th September 2021. ○ The Audit Committee members in the audit committee Chaired by [redacted] realised that [redacted] did not possess NBFC experience. However, rather than making their own independent assessment, audit committee relied on the views of N&R Committee. Instead, the audit committee members were of the view that [redacted] will be assisted by the team of experienced professionals in PFS who have good experience of NBFC sector and also have the guidance of MD&CEO to work as Director (Finance) & CFO. In effect, the Audit Committee recommended that [redacted] be trained in his job as a Director, drawing a compensation of over one crore plus perks, be trained and taught his job by the MD. • It is also to be noted that in accordance with the Master Directions issued by RBI, PFS is required to furnish to RBI, a certificate signed by the

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		Managing Director confirming that fit and proper criteria in selection of the Directors has been followed. Therefore, the MD&CEO had a legal obligation to ensure that the selection of [redacted] was fit and proper, notwithstanding that the entire process was managed by PTC HR. • **Thus, it is clearly visible that CNK has presented its finding based on selective documents without giving any cognizance to the complete set of documents and information made available to them and they have made baseless allegations against the PFS management.** • The management of PFS had no powers or role in the appointment [redacted] • MD&CEO had, in fact, no role in the appointment and joining of [redacted] PFS Board had authorized PTC HR to run entire recruitment process. [redacted] through email of 20th October, 2021 had informed NRC members that PTC HR will complete joining formalities. Thus, it is abundantly clear that PFS had no role to play till the joining formalities of [redacted] were completed by PTC HR and [redacted] had joined as Director after compliance of all statutory as well as other joining requirements. It was not in PFS's control to obtain Vigilance Clearance, an unconditional Release Letter, or the regulatory compliance from [redacted] Absent these and given [redacted]'s failure to execute necessary documents to furtherance of the decision of the Board to appoint him, there was nothing that PFS could have done to take steps to appoint him. Where the very appointment was incomplete, there was no question of facilitating his functioning. **PFS did not put the appointment of [redacted] on hold, as [redacted] himself did not complete the prerequisites for the joining.** • **Thus, it is also to note that MD&CEO of PFS was not involved in the process of recruitment of Directors in PFS from inviting the application to screening of applicants and finally in the selection of the applicants and thereafter, in the joining process.** • In the sequence of events no. IV, CNK has quoted the decision of PFS board in which Board had desired that NRC to consider the advertisement for the post of ED / EVP for appointment who can be elevated to Board level position based on their performance at a later date. Thus, it was the PFS Board which had decided not to appoint Director Finance in November

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		2018 itself. This was immediately [redacted]s appointment as MD&CEO on 3rd October 2018. It may be mentioned that the Director (Operations) position became vacant only in July 2021. Till then Company was functioning with Directors in accordance with the decision taken by Board in November 2018. It was only in March 2021, the Board decided to appoint Director Finance and Director Operations (who was going to superannuate in July 2021) and issue advertisement in this regard. • From this it is clear that management had no role to play in this matter. As regards, the points raised in Section E the PTC RMC has already given the factual position against the each of the items covered therein as annex 27 to the PTC RMC report which adequately proves that the opinion contrary to the PTC RMC report is not tenable. Further, the PTC RMC report has been adopted by the Board of PTC which has not found these points as tenable. Some of the important points of Annex-27 are mentioned hereunder: o [redacted], the then Independent Director in his email dated 16th June 2021 to Chairman, PFS had interalia mentioned that "the position of Director (Finance) had fallen vacant in 2018 and Board had directed in its meeting held on 18th November 2018 to initiate action. Subsequently, at the request of the management, flexibility was accorded by Board to recruit at the level of ED/EVP if warranted with the Head of Operations to be elevated later to Board position, if found suitable." It means that flexibility was accorded by PFS Board to management, which envisaged to recruit at the level of ED/EVP to be later elevated to Director. This manner of succession planning was put in place with the consent of Board. Thus, the particular issue that management had failed to take positive action to fill the critical vacancy of Director (Finance) is not relevant. Another important fact being, the PFS Board in 2020 divested MD&CEO from major Human Resource Powers and these were practically vested in PTC. This particular decision of PFS Board has been observed adversely by the Regulator, RBI in its inspection report. On 6th March 2021, the PFS Board had decided to call applications for D(F)&CFO through open advertisement and responsibility for the recruitment was assigned to PTC HR [redacted]was indicated as

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		resource person. No positive action was taken by the PTC persons made responsible therefor for three months and suddenly NRC decided in July 2021 to call applications only from PTC group and promoters of PTC and [redacted] on a restricted process. It is noted that the responsibility for recruitment was not given to PFS HR or MD, PFS. The PFS Board entrusted the responsibility to PTC HR, to run recruitment process of two WTDs of PFS and the principle of maintaining arm's length relationship between PFS and PTC, which was pointed out by RBI, was violated. o Minutes of meeting of interaction with [redacted] and [redacted] are part of Report, which were finalised after issuing draft minutes, providing more than 7 days' time to members for comments. The comments received were considered and suitably incorporated. The finalised minutes were circulated to Members on 11th April 2022. o RMC did not find anyone challenging the decision of Board and there is no statement available where Chairman or MD had concluded that any particular decision of Board suffered from irregularity etc., or either of them have stated that the decision would not be adhered to. Board had approved appointment of WTDs on absorption basis whereas [redacted] relieving letter from his employer was on lien basis contrary to the approval accorded by Board of PFS. Management actually adhered to and acted in accordance with the approval of PFS Board. o RMC had never interacted with the then Chairman of NRC, as contended in Section E. RMC interacted with only one member of NRC [redacted] who was the then nominee Director of PTC on the Board of PFS. Other members of NRC had submitted his written brief, which has been annexed to RMC report. o The final decision to appoint two WTDS was taken in 139th Board meeting after issue of appointment letters and acceptance thereof by the candidates. The recommendations of Audit Committee to appoint CFO were given on 13th September 2021. The information about appointment of WTDs was also furnished to the Stock exchange on 14th September, 2021 where the reference of BoD meeting dt 13th September, 2021 has only been made (139th BoD meeting).

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		o It is seen from minutes of 139th Board meeting that after Chairman stated that the Board had given a unanimous decision in the selection of the candidates and further stated that, as suggested by the MD and CEO, both the candidates were joining on absorption basis, MD & CEO expressed his reservations on selection and suitability of candidates and at the end of minutes, the decision of Board was recorded leaving MD & CEO and it is recorded in the minutes of 139th Board meeting of PFS that "After discussions on the points raised by MD, the **rest of Board** accepted all the recommendations of the N&R committee and of the Audit Committee (for [redacted] as Director Finance & CFO) as mentioned hereunder and approved **the appointment of [redacted] as Director (Finance) & CFO and [redacted] as Director (Operations) of the Company, on the terms of the appointment as per the recommendations of the N&R Committee** for a period of five years or the date of superannuation (which at present is 62 years), whichever occurs earlier w.e.f. their respective dates of joining:- ....,", which was clearly not a unanimous decision. Rest of the Board leaving MD & CEO had agreed with the decision for appointment. The reservations of MD& CEO are recorded in the minutes in the paras preceding the above decision. Thus, it was a majority decision. o [redacted] and [redacted] had made contradictory statements. o In the minutes of Board meeting held on 8th November 2021, which was chaired and finalised by [redacted] the then Independent Director, it is recorded that "Shri [redacted] stated **that it would be better to invite [redacted] for the meeting and ask him if he does not want to attend, he can ask for leave of absence.**" So, this suggestion and initiative to ask [redacted] to take leave of absence had in fact come from an Independent Director [redacted] o However, it is important to see whether legally, [redacted] had been appointed director of company by 29th October 2021 or 8th November 2021 or 9th November 2021. Given the documents and evidences available, it had not happened.

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		○ [redacted]has accepted that he had returned all the documents except joining letter handed over by[redacted] to him on 29th October 2021. Since [redacted]was charged with responsibility to complete joining formalities, it was completely inappropriate act on his part to return documents to the candidate. Whereas basic documents like relieving letter and DIR-2 form were not taken by PTC HR, [redacted] declared that joining formalities were completed only on the basis of joining letter of[redacted] and appointment letter issued t[redacted]. [redacted]had sent the joining letter o[redacted]o MD& CEO PFS through email on 29th October 2021 with the request that hard copies of documents may be collected from PTCHR office. Later neithe[redacted] collected various documents like relieving letter, DIR-2 Form, etc., from [redacted] nor [redacted] submitted them either electronically or in physical form. ○ The then Chairman, PFS had not accepted the joining of [redacted] He had instructed concerned officer to accept the joining in terms of 138th and 139th Board decision. No document was made available to committee to show that[redacted] got approval of Chairman to issue a notification that[redacted]h had joined. Thus, the joining process was never completed and Chairman had not accepted the joining of [redacted] notwithstanding the fact that in terms of Company Act the appointment of[redacted]had not reached to finality till then. ○ In today's digital age when any document can be easily and speedily submitted electronically, the claim or allegation that[redacted] tried to hand over some document to some person of PFS has no meaning. ○ In accordance with already decided protocol, the joining formalities should have been completed by designated authority i.e., ED (HR) PTC,[redacted] and then office order issued that[redacted]had joined and thereafter [redacted]hould have been guided to PFS office.

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		○ Accordingly, all the documents related to joining were to be collected by [redacted] and not by any PFS executive as per already agreed protocol ○ The role of MD&CEO comes only after the joining formalities have been completed. Therefore, non-compliance was on the part of ED(HR) PTC. ○ On 17th November 2021, for the first time, [redacted] submitted his relieving letter to PTC HR through email. Thus, [redacted] had acted on the basis of deficient documents and his action was irregular and faulty against rules, regulations and procedure of company. Any action taken in contravention of rules of company and prescribed in the appointment letter does not get validated merely by making statement that documents were present but it was not taken or submitted. Merely on the basis of statement made by certain individual that he had seen certain documents but not kept them in record does not mean that documents were submitted and available. They could have been collected in physical mode and kept in record and even electronic copy could have been obtained on 29th October, 2021 or thereafter to prove their existence and even [redacted] could have electronically submitted them on 29th October or a few days thereafter. ○ It has been established that the action taken by [redacted] was not correct and [redacted] after taking over charge of CMD, PTC on 6th November, 2021 after noticing the gaps and deficiencies, initiated rectification of process and [redacted] submitted his relieving letter for the first time on 17th November 2021 through email, when PTC HR came to know that he was relieved on the basis of lien. It is clear that [redacted] did not disclose till 17th November 2021 that he was relieved by his employer on the basis of lien. Since appointment letter was issued on absorption basis and Board had approved the same, his joining effort was not in terms of appointment letter and approval of the Board [redacted] never submitted any request to change the terms of his appointment on lien in place of absorption basis and he never submitted DIR-2 Form and he joined back [redacted] on 6th December 2021. There is no resignation letter

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		submitted by [redacted] to PFS before joining back [redacted] It simply means th[redacted] never joined PFS. o In accordance with Company Act 2013, the appointment of any Director attains finality only when the potential director submits his consent in DIR-2 form and thereafter the company is supposed to submit such a consent to Registrar in DIR-12 form in 30 days. This is mandatory provision of the ACT. o The deficiency that [redacted] did not submit DIR-2 Form and relieving letter from his employer is obvious. [redacted] had wrongly certified the completion of joining formalities based on two documents – one the joining letter of [redacted] and other appointment letter issued by PFS Chairman. In case any executive does something, which is deficient or erroneous, it does not make the process valid. o The entire process of recruitment was actually run by PTC HR as per directions of PFS Board and therefore, PTC HR was custodian of all the information/ documents related with this recruitment process and as such, PFS could not have provided documents / information to [redacted] for process review. So, the matter related to PFS but process review was that of activities and process undertaken by PTC HR as per directions of PFS Board. o Chairman, PFS had clarified during interaction that that during the meeting held on 9th November 2021, he as Chairman of PFS Board had informed to PFS Board that the process audit of the appointment of Whole Time Directors was proposed to be conducted through a third party, who can go deeper into details and thereafter this process review was commissioned. He had informed that this is though not recorded in Board minutes but was done with the knowledge of PFS Board. o [redacted] had said during interaction that they have not passed judgement. However, in the 9th RMC meeting, [redacted] ID had observed that it cannot be believed that NRC did the selection without scoring, otherwise it would be a gross dereliction of their duties. It has been stated by [redacted] Ex- Director and the

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		then NRC member of PFS that no scoring sheet was used. Also, PTC HR has confirmed that no scoring sheet was used. o On 20th January 2022, CMD PTC had informed all members of Board of PTC through email about the [redacted] report and enclosed a copy thereof for perusal of members. After [redacted] was engaged, the next Board meeting was held on 27.01.2022. o After receipt of RBI Inspection Report and advice of RBI to have arm's length relationship between PTC and PFS, the PFS Board knowing fully well the objections/ reservations of regulator went ahead and entrusted the responsibility of undertaking recruitment process to PTC HR in violation of principle of arm's length relationship. o [redacted] representative during interaction with RMC has stated that there were lot of gaps in the process and intention is that it should not happen in future.

F PTC RMC Report dated 23rd May 2022 with respect to appointment of [redacted] and other matters

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	The PTC RMC report is a detailed report of 67 pages and 27 Annexures. Besides narrating the entire sequence of events, it also includes comments of other directors and those of the IDs on the draft report. The conclusion mentioned in the report and CNK Observations on the same are as under: a) It has been norm in PTC and PFS for last one decade that appointments of Directors are made through open advertisement and this practice could have been continued b) Based on available information, [redacted] did not submit his consent to act as a director in form DIR-2 and as such, his appointment as Director was never complete and as such he was never appointed as Director in terms of Company Act; c) [redacted] never became Director of company, and his joining process was legally an infructuous exercise; d) The incident on 29th October 2021 subsequent to submission of joining report by [redacted] as orally reported, was highly unfortunate; e) PFS Board had initially approved that applicant from PTC group and its promoters will be allowed to join on lien / deputation. This decision was reversed at the time of approval of appointment of WTDs and their appointment was approved on absorption basis, which was accepted by the selected candidates after issue of appointment letter to them. Lien and absorption are completely two different issues and once appointment of [redacted] was on absorption basis, he could not have joined on lien unless he sought deviation to the terms of appointment, which [redacted] never did; f) [redacted] did not submit his relieving letter with his joining report. [redacted] shared his relieving letter first time on 17th November 2021, when PTC came to know that he was	CNK has omitted may important aspects covered in PTC RMC report. Such omitted extracts from PTC RMC report relevant to this matter which includes the facts as well as the analysis of the case are as under: *a) [redacted] the then ED(HR) through his email dated 20th October 2021 had clarified to MD, PFS that the two WTD candidates appointed were expected to join shortly and PTC HR would ensure completion of their joining formalities and then hand over process of their orientation and also the candidates' dossiers to PFS team. Also, during 138th meeting of PFS Board held on 28th August 2021, Board had authorized the Chairman, PFS to take further necessary action for giving effect to the appointment of the WTDs. Thus, onus of completion of joining formalities was with PTC HR and not with PFS. [redacted] submitted his joining report on 29th October, 2021 to Chairman, PFS/ CMD PTC, on which Chairman, PFS/ CMD PTC ordered, "Accept the joining report in terms of decision of the PFS Board in 138th and 139th Board meetings." These instructions were to be complied by ED(HR), PTC, who was entrusted with this responsibility and it was to be done in terms of 138th and 139th Board decision. Chairman has nowhere accepted the joining report of [redacted], instead he instructed concerned person to accept it in terms of Board decisions. [redacted] was privy to Board decision being nominee Director of PTC on the Board of PFS. The Board decisions were clearly given to the effect that [redacted] should comply with terms and conditions of appointment letter and his appointment was on absorption basis. [redacted] email stating, "we welcome today [redacted] has joined the PTC group family as Director (Finance) & CFO, PFS. Attached scan of joining report of [redacted] who has reported for joining today in terms of decision of the Board of Directors" was totally uncalled for because relieving letter of [redacted] was not taken on record and [redacted] was not joining on*

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	relieved on lien basis. In view of the reason of [redacted] not complying with terms of appointment letter, PTC kept his joining on hold. [redacted] joined back [redacted] on 6th December 2021. He never submitted his resignation letter to PFS as he did not consider himself to have joined PFS. With [redacted] joining back [redacted] on 6th December 2021, the appointment process as well as Board resolution appointing him as Director (Finance) & CFO had become infructuous; g) In view of [redacted] not being legally appointed as a director of PFS in terms of Company Act, the issue whether he joined PFS, various objections of Independent Directors and other events bear no meaning legally and they do not affect the ultimate outcome; h) The allegations of various statutory violations as alleged by Independent Directors do not get proved in case of non-issuance of notice to [redacted] to attend 8th November 2021 Board meeting and not sending circular resolution on 31st December 2021 for constituting NRC and for not reappointing [redacted] as Independent Director immediately after expiry of his term on 31st December 2021. The alleged violation related to NRC becoming dysfunctional subsequent to recall of [redacted] as nominee of PTC on PFS Board is also not a statutory violation; i) The allegation of Independent Directors that meeting notice for 22nd January 2022 was not valid is not correct. They were in possession of all relevant information related to appointment and joining of [redacted] on the date of their resignation and therefore their objection that the meeting notice was not sent to all directors was without any basis. It would have been advisable that they should have attended the Board meeting of 22nd January 2022 and raised all the issues on the platform of Board;	*absorption basis [redacted] had informed during discussions that he knew that [redacted] was joining on lien) and thus even minimum terms of appointment were not fulfilled. [redacted] before sending above mail, did not take any formal approval of Chairman, PFS/ CMD PTC that [redacted] joining formalities were complete and formal orders for his joining may be issued. Then at 1603 hrs on 29th October 2021, [redacted] issued another email stating, "Further to mail earlier today and the trailing mail dtd. 20th October, the joining formalities in respect of [redacted] were completed. The attached documents in hard copy are now available with PTC-HR. You may advise the concerned in HR team, PFS to collect the same for safe custody at their earliest convenience." Thus, [redacted] certified that joining formalities were completed. However, the documents which were available with PTC toward joining formalities were only the joining report dated 29th October 2021 of [redacted] and appointment letter issued to [redacted] on 7th September 2021 and addendum dated 16th September 2021. Obviously, joining formalities were not complete as basic document relieving letter was missing. Whether PFS person accepted or refused documents of [redacted] which he wanted to give is immaterial as the documents as available with PTC HR, after clear pronouncement and certification by ED(HR) that joining formalities for [redacted] were complete, were emailed to PFS. The purpose of making available the documents to PFS by PTC HR should have been that PFS satisfies itself about adequacy of documents. On the basis of these documents provided by PTC HR, the management of PFS has taken a legal opinion to ascertain the adequacy of joining documents in PFS.* *b) On the issue of Joining process, it is absolutely clear that PFS Board had authorized PTC HR and PFS Chairman (CMD, PTC) to run the entire process of recruitment starting from issuing letter to CMDs of promoters of PTC including [redacted] receipt of application, shortlisting, conducting of interview, issue of appointment letter and getting the joining formalities completed and issuing orders that the candidate has joined. This is corroborated by the email of 20th October, 2021 of [redacted] through which he had confirmed to NRC members that PTC HR will complete joining formalities. Thus, handing over of document to MD PFS or PFS was not only unnecessary but also contrary to agreed and approved*

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		procedure in the instant case as intimated by [redacted] himself through email of 20th October, 2021. There was no need of escorting [redacted] to MD, PFS office. His joining formalities should have been first completed by PTC HR and orders for joining issued and thereafter, it was the responsibility of MD, PFS to provide office space to him. There was no need to shift the responsibility of taking documents to PFS, which was the responsibility assigned to PTC. Further, the argument that MD, PFS did not ask or see the documents and officer of PFS refused to accept the document and therefore, the formality of submission of document was complete is not justified. The unfortunate event and ruckus as narrated above could have been avoided. With respect to joining of [redacted], there should have been a better coordination between PTC and PFS to facilitate joining formalities. c) *Regarding the observations made by RBI in its inspection report on non-maintenance of arm's length distance between PTC and PFS on HR matters, Independent Directors had recommended in their meeting held on 15th June, 2020 that HR powers be restored to PFS management. It was decided in 28th July, 2021 Board meeting that those HR powers shall be exercised by NRC of PFS. However, for the purpose of recruitment of Whole Time Directors, Board of PFS entrusted the responsibility of running entire process to PTC HR. It is observed that from 17th July 2021 onwards, in none of the meetings of NRC, the representative of PFS HR was present. It means that the responsibility and authority for running entire process was relied to and vested with PTC HR. Thus, arm's length relationship, as desired/ advised by RBI was not maintained between PTC and PFS in case of this recruitment. It was during the meeting of 9th November 2021, Board agreed in principle to restore HR powers to PFS management. It was during that Board meeting, when for the first time, Chairman of PFS Board informed that PTC has taken a pause in its stake sale of PFS. It is noted that this decision of taking a pause in stake sale of PFS was taken by PTC Board in its meeting held on 11th August 2021 and it was never informed to PFS Board before 9th November 2021. It is also observed that PTC has not charged any fee for running recruitment process of WTDs and this activity being a related party transaction could have been done by PTC as an agent/ consultant and charged the same fee as it would*

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		have charged to any other agency in the ordinary course of business to satisfy the condition of arm's length distance. d) *There has been an issue whether MD&CEO had dissented with the decision of Board taken in 139th meeting on 13th September 2021 in regard to appointment of two WTDs. On 13th September, 2021 NRC had approved enhancement in CTC offered to [redacted] and Audit committee recommended his appointment as CFO. These recommendations were also accepted and approved by Board in its 139th Board meeting held on the same day. The board had finally approved the appointment of WTDS during this meeting. The Board minutes can be referred to, where in one of the paras it is mentioned, "The Chairman appreciated that the Board had given a unanimous decision in the selection of candidates. He further stated that, as suggested by MD&CEO, both the candidates are joining on absorption basis." In the subsequent para appearing in the said Board minutes, it is mentioned that MD& CEO stated that he has certain points which he has already submitted to the N&R committee and Board. He further stated that PFS is not into traditional project financing business. The minutes further record that MD went on to say that "Therefore, PFS will have to get people who are familiar with new products that may be constraint with the selected candidates, which he has highlighted earlier to N&R committee and reiterates now. He further stated that as stated earlier, had PFS gone for an open market selection, we could have evaluated these candidates vis a vis candidates from open market. He further stated that product structuring or restructuring being done now requires a different kind of skill set and attitude." After this statement, it is recorded that "The rest of Board agreed with views of the Chairman N&R Committee." It means there was someone who was not part of this agreement. Thereafter, the decision of Board as recorded in minutes reads as "After discussions on the points raised by MD, the rest of Board accepted all the recommendations of the N&R committee and of the Audit Committee (for [redacted] as Director Finance &CFO) as mentioned hereunder and approved the appointment of [redacted] as Director (Finance) & CFO and [redacted] as Director (Operations) of the Company, on the terms of the appointment as per the recommendations of the N&R Committee for a period of five years or the date of superannuation (which*

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		at present is 62 years), whichever occurs earlier w.e.f. their respective dates of joining:-............" The word "rest of Board" coming after reference to MD&CEO clearly indicated that leaving MD&CEO, the Board agreed with it. It is clear that MD & CEO was not in agreement with the decision of rest of Board members and having so recorded in the Board minutes by the Chairman of the Board, it was not a unanimous decision. It was a majority decision leaving MD&CEO. However, once a decision has been taken in Board, the dissent or contrary views of any member has no relevance, as majority decision is the decision of the Board. e) *There is another fact that [redacted] alone had seen the relieving letter of [redacted] and he also knew that he was joining PFS on lien basis. The building was not on fire, why did [redacted] return back this vital document to [redacted] and why did [redacted] take it back and never submitted it till 17th November 2021. Why could he not submit it by email as he had email addresses of all Directors, ED(HR) and Company Secretary. In this electronic age, any excuse is not acceptable from persons who are holding such a senior level position. The examples of large window of time for completing joining formalities by many directors in past, if true, cannot become a rule to allow someone not to submit his relieving letter for almost three weeks after submitting joining report. Nobody is allowed to join without submitting release order, that too if so, stipulated in appointment letter and this sentiment has been echoed by Independent Directors also in their resignation letter. Any violation of it is just not permitted. The absorption and lien are two distinct concepts. Any person who is on lien cannot be absorbed unless he relinquishes his lien and vice-versa. [redacted] understanding that absorption allows lien is incorrect. It is not the only prerogative of previous organisation to allow lien, the receiving organisation should be ready to accept a person on lien. If receiving organisation has given appointment on absorption, any action of relieving organisation cannot change the terms of appointment letter. It is another surprising factor that in case [redacted] knew that [redacted] was relieved on lien and [redacted] had taken Chairman, PFS into confidence before issuing above emails and they were convinced about genuineness of the case, Chairman, PFS could have called an emergency Board meeting and got it ratified. No such action was taken by the then*

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		Chairman or proposed by [redacted] till he was in charge of HR department of PTC. [redacted] after taking charge of CMD, PTC on 6th November 2021 had the access to the case and he observed that action taken were improper and not according to the rules. He immediately started taking action to rectify it. [redacted] had informed PFS Board that relieving letter of [redacted] was not available, important documents required to be submitted before joining have not been submitted by [redacted] and these were not merely formalities, the information of joining of [redacted] given by PTC HR was incorrect an [redacted] was not a Board member. IDs did not believe the [redacted] CMD PTC and they declared [redacted] as Board member. It is surprising that the same IDs are now questioning in their resignation letter "how did Ratnesh join without sharing his relieving letter", did not listen to CMD during Board meeting of 8th November 2021 and on being asked why did they not believe CMD, they answered it was opinion of CMD, PTC. How a fact spoken can be an opinion? It is clear that [redacted] had not joined PFS on 29th October 2021 in terms of appointment letter issued to him. f) It appears that the relieving letter was concealed. Joining of any employee is an operational matter and executive function. The management is bound to comply the directions of the Board and IDs cannot say that once they had appointed a person, his joining should be ensured whether terms of appointment are fulfilled or not and they should be consulted at every stage and waiver can be granted to the appointed person. If that was the intention, the Board should have appointed the person subject to terms and conditions to be finalised post joining. In this case, [redacted] did not submit any request for allowing him to join PFS on lien, the management had no reason or ground to approach to Board to change the terms of appointment already approved by Board. Management is supposed to implement the decision of Board in letter and spirit and management did so in this case. g) The events and their sequence regarding availability/ handling of documents especially relieving letter and why was it not taken on record by the then ED(HR), when it was available and being handed over by [redacted] returning them back to [redacted] and even not getting its soft copy within a reasonable time and trying to pass this responsibility to PFS

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		who was not mandated to do so, raises some doubts on the manner and intent thereof. The role of PTC HR during the period prior to 6th November 2021 can however, be independently investigated at the option of management. ***WHETHER [redacted] BECAME DIRECTOR AS PER COMPANY ACT AND IF SO, WHEN?*** *a) A reference is made to the Sub section (5) of Section 152 of Company Act 2013 under the heading - Appointment of Directors, which stipulates that, "A person appointed as a director shall not act as a director unless he gives his consent to hold the office as director and such consent has been filed with the Registrar within 30 days of his appointment in such manner as may be prescribed." The rules prescribe the format for giving consent by the appointed Director as DIR-2.* *b) There was an opinion that appointment in the above provision means date of joining and not the date of issue of appointment letter to the candidate. Also, there was an opinion that when it is customary that PFS facilitates filling of forms and [redacted] was carrying a set of documents and MD did not ask for it or saw it, and the document were refused by PFS person when it was being handed over to it and DIR-2 Form should have been there and therefore, [redacted] had fulfilled the requirement of law. The Company Secretary of PFS stated that he had never seen DIR-2 but it could have been there but he was not sure. PTC HR has stated that there is no official record that they had ever sent these forms to [redacted] to complete and sign the same and they do not have DIR-2 form signed by [redacted]. Based on available information, it appears that [redacted] never submitted DIR-2 Form and the same was not available either with PTC or PFS either in physical or electronic form. In order to avoid confusions in interpretations, Chairman, RMC had proceeded to take a legal opinion from an expert, on which Hon'ble member [redacted] expressed his reservations/objection including comments on certain other aspects/issues through his letter dated 22.04.2022 sent through email dated 23.04.2022, the copy of letter is enclosed as Annex-23 [redacted] viewed therein that the provision of the Companies Act merely mentions*

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		that independent directors (note the plural) may seek the opinion of outside experts at the expense of the company and this is stated only as a guidance and not as part of the statute. Further the Chairman, RMC was not authorised to seek such a legal opinion without taking into confidence RMC. The response of Chairman, RMC is enclosed as ***Annex-24****. In the minutes of RMC meeting held on 9th March 2022, it is recorded, "Chairman RMC further stated that there could be matters or issues, which require clarity, and the Board has already mandated that the assistance of an expert can be taken. So, for such issues, Chairman, RMC would take assistance of expert, who could be a legal expert or any other expert, as may be necessary and it was agreed by all the members." However, on receipt of above communication from [redacted], the Chairman, RMC immediately withdrew his request for seeking legal opinion in the matter and did not proceed ahead with it.* *c) The provisions of Companies Act, and rules framed thereunder, and Securitization and Exchange Board of India (Listing, Obligations, and Disclosures Requirements) Regulations, 2015 ("LODR Regulations") is referred to.* *Rule 8 of the Companies (Appointment and Qualifications of Directors) Rules, 2014 ("Company Rules") – Consent to act as director stipulates that: -* *"Every person who has been appointed to hold the office of a director shall on or before the appointment furnish to the company a consent in writing to act as such in* ***FORM DIR-2****.* ***Provided*** *that the company shall, within thirty days of the appointment of a director, file such consent with the Registrar in* ***Form DIR-12*** *along with the fee as provided in the Companies (Registration Offices and Fees) Rules, 2014. "* *d) [redacted] was appointed as a director by way of a resolution passed by the Board of Directors of PFS and as such he could have been appointed as an additional director of PFS, which is governed by Section 161 (1) of the Companies Act. Section 152 (5) of Company Act read with rule 8 clearly stipulates that furnishing of the consent of a potential Director in form DIR-2 is mandatory on or before date of his appointment. Subsequently, the company shall file the consent given by the potential*

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		director with the ROC, within thirty (30) days of the appointment and the company shall file this consent with the ROC in Form DIR-12. It simply means that only after this form (DIR-2) is submitted and received by the appointer only at that moment the appointment is done. Section 152(5) clearly provides that no persons shall act as a director until and unless he has given his consent (in Form DIR-2) and such a consent has been filed by the company with the ROC (in Form DIR-12). The attention is also drawn to use of word "shall" in section 152(5) and rule 8, as there are legal pronouncements that the word "shall" ought to be considered mandatory in nature. In other words, the appointment of a director is incomplete, if the concerned director has not given his consent in Form DIR-2. In case an individual is appointed as Director through a Board resolution, the person will be considered as appointed only when he/she submits Form DIR-2 to the appointer. Unless DIR-2 form is submitted by the appointee, the appointment has not been done. Thus, mere Board resolution is not the final stage of appointment. The decision of Board is supreme but that decision should reach finality in the eyes of law. It is basically responsibility of appointee to submit DIR-2 form as a condition precedent to appointment. Any facilitation or practice of facilitation by appointer does not waive the requirement of submission of DIR-2 form by the appointee. Assuming, PFS refused his DIR-2 form from accepting (whereas there is no evidence that Mr. Ratnesh had actually filled and signed the DIR-2 form as no one has seen that DIR-2 form and even [redacted] refused to answer the question whether he did submit DIR-2 form and if so, when and to whom), [redacted]ould have emailed the form to Company Secretary of PFS. The DIR-2 form can be submitted physically as well as electronically. In case, it is argued that [redacted] was not aware of the requirement, such a senior and experienced person should have known the law and ignorance of law is no excuse. The question of joining arises only after a person has been legally appointed in the company. *e) The person of PTC HR who was entrusted with the responsibility of recruitment process and who received joining report of [redacted] should have first collected DIR-2 Form from [redacted] before the joining report was taken on record or latest along with the joining report. [redacted]*

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		[redacted] was ED(HR) PTC, who handled the joining report and joining formalities of [redacted] on 29th October 2021 was himself a Director on the Board of PFS and he must have been aware of this basic requirement. Company Secretary PFS was requested to furnish a copy of email along with attachments thereof through which he had sent the DIR-2 form to PTC HR or ED (HR) to get the same filled up and signed by the selected WTDs for PFS, especially by [redacted] after issue of appointment letter. CS, PFS has replied that the documents including DIR-2 which required to be signed by the new incumbent as per statutory requirements, were given to then ED HR-PTC in hard copy. PTC HR department has replied that neither any such document including DIR-2 Form is available in their records as having been received from CS, PFS, nor they have sent it to [redacted] and no such document signed and received from [redacted] is available in their record. Thus, it was only known to [redacted] that DIR-2 Form was to be got filled and signed by [redacted]. The joining documents are not scrutinised by the Chairman or MD&CEO. This is done by the functionary responsible therefor and [redacted] was the person responsible in this case. In case the DIR-2 form was not got filled or signed or returned to [redacted] the responsibility lies with the person dealing with the case. Therefore, certain document not accepted by MD&CEO or a person of PFS (who is unidentified) does not hold water when PTC HR was given and had assumed the entire responsibility for completing joining formalities. Non fulfilment of this requirement, does not make appointment of [redacted] legal and compliant in terms of Companies Act, 2013 unless DIR-2 form was received. [redacted] Company Secretary of PFS also clearly stated during discussions that DIR-2 Form of [redacted] should have been available on 29th October, 2021. During discussions, a question was put up to Company Secretary, PFS that proper Corporate Governance was not observed by not issuing notice to [redacted] for 8th November, 2021 Board meeting. [redacted] did not agree to it and responded by saying that as Company had not received the documents and as such the MD was also right in not instructing him to issue the notice for 8th November, 2021 and decision to not to call [redacted] in 8th November, 2021 Board meeting was not wrong. As mentioned above, it has been contended that the papers relevant to [redacted]

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		[redacted] *joining were handed over to the authorized person but persons from PFS refused to accept the said papers. The person authorised to receive DIR-2 from PFS was Company Secretary of PFS, who never said that he refused to accept DIR-2. If* [redacted] *was authorised person, he returned the documents to* [redacted] *No one including* [redacted] *has confirmed that the DIR-2 form was existing or ever submitted. Even if a fault is attributed to PFS or PTC, the responsibility of appointee does not get shifted to appointer/ PTC. The obligation of a director to file Form DIR-2 is unqualified and is not dependent upon satisfaction of any condition precedent. As such, only after* [redacted] *had submitted DIR-2 form to PFS, the company was to submit DIR-12 to Registrar within 30 days. Since the submission and availability of DIR-2 form with appointer is a condition precedent and unless* [redacted] *was appointed in accordance with the law, his joining process cannot proceed. Further, the notice issued to* [redacted] *to attend Board meeting of 9th November and his seeking of leave of absence do not supersede the mandatory provisions of the Act and rules made thereunder. Such a notice or* [redacted] *s request for grant of leave or grant of leave by Board cannot tantamount to completion of* [redacted] *appointment as director of PFS, especially when no DIR-2 Form was submitted to or available with the company. With the rejoining of* [redacted] *on 6th December 2021, the PFS Board resolution had become infructuous. This issue has to be seen from legal lens and it has to pass the legal criteria. Legal compliance as per provisions of applicable Acts and rules laid down by law of land cannot be considered extraneous issue in the present context by any stretch of imagination.* *f) From the above, it is concluded that appointment of* [redacted] *would have been complete only if he had submitted the DIR-2 Form duly filled in and signed. Based on available information,* [redacted] *never submitted the DIR-2 Form and therefore he was never appointed as Director in PFS in accordance with the law of the land. In case he was not facilitated, the compliances to mandatory provisions of Company Act do not get extinguished or lose their validity. It is basically the responsibility of the incumbent to fill and sign the DIR-2 form and submit to company who has appointed him. In case of failure to do so, his appointment as director has not taken place. Unless appointed, the question of joining does not arise*

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		and the joining cannot happen. Therefore, [redacted] never became director of the company in the eyes of law.
	The summary of key observations highlighted by [redacted] as extracted from Annexure 11 to PTC RMC report annexure are as follows • Irrelevant questioning on application joining; • He had resigned from his company position and came to PFS. He was treated badly; he was given appointment letter but not allowed to join; • [redacted]aid he had given all relevant documents as available with him on the date of joining and who has further given it to whom, how can he know. Further, he was always requesting to the PTC & PFS HR for pending documents; • Not issuing notice of meeting to be held on 8th November; • Postponement of board meeting from 8th November, 2021 to 9th November, 2021; • Received a phone call from MD of company telling him to take leave of absence for 9th November 2021; • Not allowing to join the company.	• CNK seems to have accepted the statement of [redacted] as correct and have made baseless views without providing any concrete evidence in support of the same. It is highly unethical and unprofessional to comment upon the integrity of Chairman PTC RMC (Independent Director) by quoting the questions as irrelevant. • The questions asked from [redacted] were about the issues involved at various stages in order to find out the facts and therefore CNK, seems to have erred and been partial in mentioning these as irrelevant. • [redacted] made false statements to RMC that he had given all relevant documents as available with him on the date of joining. In fact, he had concealed the relieving letter issued by [redacted] and submitted it to PTC HR through email for the first time on 17th November 2021. His act of concealing the relieving letter was fraudulent since he had retained lien in [redacted] and he was eligible to join the Company as the Board had appointed [redacted] on absorption basis. **It has been confirmed by CNK also that [redacted] was appointed on absorption basis only.** • His statements were contradicted by [redacted] and other functionaries of the PTC HR. In fact, [redacted] and [redacted] connived to make [redacted] join PFS without submitting the relieving letter of [redacted] which mentioned that [redacted] had retained lien in [redacted] However, they could not succeed in this fraudulent activity. • When [redacted] was asked did he join PFS, he did not say that he had joined PFS. He had made a false statement that he had received a phone call from MD of company telling him to take leave of absence for 9th November 2021. The independent directors [redacted] had suggested in the Board that [redacted] may told to take leave of absence. Neither MD made any such communication to [redacted] nor he instructed anybody to do so.

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		The allegations that [redacted] was not allowed to join the company is untrue and baseless which has been explained in several paragraphs. • It must be mentioned that Form DIR 2 is the responsibility of potential Director to submit Form DIR 2 before or at the time of reporting for joining the Company. [redacted] being a Senior responsible officer o[redacted] was expected to be aware of such basic rules and regulations of the Companies Act. Until and unless the Form DIR 2 is received from the potential director duly signed, no notice for attending board meeting can be issued to him nor he can be allowed to attend any board meeting as he is not eligible to act as a Director. • Despite being provide with all information and documents, CNK seems to have chosen to remain silent on the fraudulent conduct of [redacted] in concealing his relevant documents which has caused irreparable damage to the Company.
	CNK Observations on PTC RMC Report dated 23rd May 2022 with respect to appointment of [redacted] and other matters • In our view, the conclusions drawn in the above RMC report do not adequately address the concerns of the ex-independent directors and 2 members (Independent Directors) of PTC RMC who voted against the report as against the executive directors who voted in favour of the same. The report does not sufficiently address or justify the matters raised related to relieving of [redacted] and following governance procedures for the same; • It also seems that no serious efforts have been made to have discussions on this matter with [redacted] (after his joining back at [redacted] and record his version of the events; • As far as joining of [redacted] on lien or assignment was concerned, from the video recording of the 138th Board meeting held on 28th August 2021, it is clear that the Board was of the view that he should join on absorption not on deputation.	• PTC RMC report was considered and approved by PTC Board by majority vote. It is to be noted that decision of the Board is final once it is voted by the majority of the Board. This is the law of the land and we presume that CNK is aware of it. • CNK's observation that the conclusions drawn in the RMC report do not adequately address the concerns of the ex-independent directors and 2 members (Independent Directors) of PTC RMC and that the report does not sufficiently address or justify the matters raised related to relieving of [redacted]nd following governance procedures for the same is factually incorrect as the RMC report is a detailed report covering all the aspects. • It must be noted that it was Board's decision that [redacted] should join on absorption basis and not merely a Board's view as expressed by CNK. • CNK has chosen on remain silent on [redacted]'s fraudulent conduct and concealing that he retained lien in [redacted] CNK has chosen to remain silent on the fact that [redacted] never submitted his consent to act a Director in Form DIR 2 as required under Companies Act.

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		• It is not within CNK's purview to comment upon the report of the RMC of PTC, an independent listed company, whose Board has accepted the report. Having been approved by the Board, this report is now final and CNK has no locus standi to comment upon its merits or demerits. • CNK seems to have not appropriately reviewed the minutes of PTC Board meeting as received from PTC and provided to them wherein detailed discussion on PTC RMC report is recorded. • One of the nominee Director had specifically asked in PTC Board meeting whether joining by [redacted]n lien basis instead of absorption basis was a curable act as the Board of PFS had decided to appoint WTDs on absorption basis. [redacted], Director stated that it was curable in three ways: either [redacted] could have sought revised relieving letter without lien or MD&CEO would have allowed him to join on lien or Board could have reversed its decision and restored the decision taken prior to approval of appointment o[redacted]. • One of the nominee Director stated that in case MD&CEO would have allowed joining on lien, it would have been contempt of Board's approval. CMD(I/C) PTC stated that the fact tha[redacted] had got relieving on lien basis came to knowledge only on 17th November when he first time shared his relieving letter with PTC HR. He never requested for waiver of lien condition and joined back [redacted] on 6th December, 2021. • As recorded in PTC Board minutes, the then Chairman, PFS and [redacted] had taken a decision based on a document which was not available, whereas the relieving letter without lien was required to substantiate his eligibility to join. His relieving without lien was not proved even till the date of PTC board meeting. Such a role and conduct of ex-Chairman, PFS being reason of his agitation shows weak corporate governance from side of ex-Chairman, PFS. The role and conduct of former IDs and Chairman of PFS also needs to be seen by PFS Board and required actions should be taken. He opined that lack of governance displayed by the then Chairman, PFS should be included in the report. • Thus, it is abundantly clear from the discussions in and the minutes of PTC Board which mention that the role and conduct of ex- Chairman, PFS being reason of his agitation shows weak corporate governance from side of ex-

S No of Report	Particulars	Management's Response
		Chairman, PFS. The role and conduct of former IDs and Chairman of PFS also needs to be seen by PFS Board and required actions should be taken. • The email dated 16th June, 2021 of [redacted] Ex ID to Chairman, inter alia, states that the position of Director (Finance) had fallen vacant in 2018 and Board had directed in its meeting held 18th November, 2018 to initiate action. Subsequently, at the request of management, flexibility was accorded by the Board to recruit at the level of EVP/ED if warranted with the Head of Operations to be elevated later to Board position, if found suitable. In December 2019, all powers of MD&CEO were withdrawn as detailed herein. Thus it was Board's decision not to immediately appoint Director (Finance) and later, it was job of NRC and PTC HR to initiate process/recruit Director. MD&CEO had no say or role in the matter. As such NRC initiated the process in March 2021. Facts remains that PFS had already advertised the post of Director (Finance) & CFO. Thus allegation made about check and balances is not only untrue but also unfounded. • The entire process of appointment of [redacted] was handled by HR PTC as is evident from the minutes of meetings of NRC, Audit Committee and Board. • MD&CEO, PFS had been completely disempowered by the erstwhile Chairman / Board. MD&CEO had no powers to decide on the appointments, transfers, promotions and postings at the level of functional head and one level below. In other words, the MD&CEO could not even appoint a Manager in PFS. • Therefore, PFS cannot be held liable for not communicating with [redacted] whose joining formalities were never completed and more so, after his re-joining [redacted] • It is also unfortunate that CNK has ignored completely the multiple email correspondences between PTC HR and [redacted] that were provided to them on receipt from PTC. • These emails clearly indicate the multiple lapses committed by [redacted] in completing the joining formalities. • As far as PFS is concerned, it has no locus standi to discuss with [redacted] as [redacted] never joined PFS nor was PFS involved in his selection. In case he had joined PFS, how could he have joined back [redacted] The fact is

S No of Report	Particulars	Management's Response
		that [redacted] never became an employee or Director of PFS at any point of time either de facto or de jure. • It may also be noted that the guidelines of the Department of Public Enterprises (DPE) prohibit maintaining a lien when leaving a PSU and joining a private company • Being a PSU employee, [redacted] was not eligible to retain Lien while joining a private sector company. Thus, he retained a lien probably by misrepresentation to [redacted] a CPSU. • [redacted] committed a fraud on PFS by misrepresenting and concealing the information of retaining lien in [redacted] ▪ [redacted] did not join PFS Board and was not eligible to receive notices of Board meetings. The insistence of Ex Independent Directors to send him notices of board meetings and invites was patently incorrect and illegal.

G Overall CNK views regarding appointment of [redacted]

S No of Report	Particulars	Management's Response
1.	The vacancy in the position of Whole Time Director arose in 2018 on superannuation of [redacted] on 18th September 2018, from the post of Managing Director of the company and [redacted] appointed as MD &CEO on 3rd October 2018. There was no Whole Time Director (Finance) since then	• The views of CNK are factually incorrect and baseless. • It seems CNK has not completely verified the minutes of meetings of Board and NRC. • [redacted] superannuated on 18th September 2018 and at that time **there were 2 Whole Time Directors in PFS.** • [redacted] was appointed as MD&CEO of PFS on 3rd October 2018 [redacted] continued to be Whole Time Director of PFS till his superannuation in July 2021. • As mentioned in sequence of events no. IV, the Board of Directors in their meeting held on 12th November 2018, noted the minutes of 32nd and 33rd NRC meeting and "*with respect to the actions for filling up the position of Director (Finance) & CFO, the various aspects were discussed by the Board including identification of the suitable candidate for the post and its requirement. After detailed discussions, the Board desired that the Nomination & Remuneration Committee may consider to issue the advertisement for the position of Executive Director level / EVP and in order to attract good candidates a clause be inserted in the advertisement that based on her/his performance there exists possibility of further elevation to board level position.*" • Thus, it was Board's decision not to appoint Whole-Time Director (Finance) • Thereafter, it was only in the board meeting held on 9th March 2021 that the Board agreed that advertisements for the post of Director (Finance) & CFO and Director (Operations) be issued by 31st March 2021 since Director (Operations) will be superannuating in July 2021. The Board was also of the opinion that the same process may be followed for the selection as was done earlier in case of appointment of MD &CEO and the recruitment process would be handled by a resource person from PTC, as was in case of MD & CEO. [redacted] was identified as the resource person for the said job from PTC.

S No of Report	Particulars	Management's Response
2.	It seems that there was no intention of the management to appoint Whole Time Director (Finance) as reflected from the following:	
	a) NRC recommendations and decisions were not followed or implementation thereof was delayed;	• It is factually incorrect to say that NRC recommendations were not followed or implementation thereof was delayed by the management. • CNK has not quoted any instance of not following NRC's recommendations and Board decisions. • MD&CEO, PFS had been completely disempowered by the erstwhile Chairman / Board. MD&CEO had no powers to decide on the appointments, transfers, promotions and postings at the level of functional head and one level below. In other words, the MD&CEO could not even appoint a Manager in PFS. • It may be mentioned that Nomination and Remuneration Committee of PFS, in its meeting held on 23rd December 2019, took the strange and unprecedented decision that all the HR matters of PFS shall be dealt with the approval of Director (HR), PTC, which included, matter related to appointments, transfers, postings, promotions etc. and internal communication to employee. PFS (HR) team was to assist Director (HR), PTC in all these matters. • Subsequently, in its meeting held on 27th January 2020, the NRC made certain amendments to above. However, MD&CEO continued to be completely disempowered by the erstwhile Chairman / Board. MD&CEO had no powers to decide on the appointments, transfers, promotions and postings at the level of functional head and one level below. In other words, the MD&CEO could not even appoint a Manager in PFS. • This abnormal arrangement diminished the arm's length relationship between the holding company and its subsidiary. • RBI raised concern on arm's length relationship of Company with its Parent Company i.e. PTC India Limited in its inspection report and mentioned that Arm's length relationship with its parent company, PTC India Limited, was not ensured w.r.t the management of human resources.

S No of Report	Particulars	Management's Response
		• RBI also raised this as a Supervisory Concern during its inspection for the year ended 31st March 2020 and directed that the company shall ensure arm's length relationship with its parent company, i.e. PTC India Limited, w.r.t the management of human resources. • The inspection report and supervisory concerns were raised by RBI vide its letters dated 12th May 2021 and 4th June 2021 respectively. • The above inspection reports and directions of RBI were placed before the Board of PFS, which regrettably did not comply. • The concerns raised by RBI were also reviewed by the Ministry of Power (MoP) which directed PTC and PFS to comply with RBI's report and recommendations to the satisfaction of RBI. • MoP specifically directed reversing of decisions that impair proper Corporate Governance, maintenance of suitable arm's length distance between the two companies and immediately addressing the conflicts. • In blatant disregard to the supervisory concerns and inspection findings of RBI, and directives issued by MoP, the erstwhile and Board decided to entrust the entire process of appointment of Directors to HR of PTC India Limited. • From the above, it is clear that there was blatant disregard of regulatory directives and procedural compliances by PTC HR. • It is pertinent to mention that the Board authorised the then Non-Executive Chairman to take all actions relating to appointment of [redacted] and undue haste was exercised to ensure the joining of [redacted] on 29th October 2021 without submission of required documents as stipulated in appointment letter signed by the then Chairman. • The joining process was led by the then Chairman and [redacted] PTC HR and it was closer to the last day of the then Chairman. • [redacted] submitted joining report dated 29 October 2021. However, his Release order from [redacted] was shared by him for the first time only on 17 November 2021 through email and his copies of qualification certificates on 18 November 2021. As per offer of appointment dated 7 Sept 2021, he was required to provide the 'release order' and 'qualification certificates' at the time of joining.

S No of Report	Particulars	Management's Response
		• The joining report was defective since the date of joining was mentioned as 29 September 2021. • [redacted] had retained lien on the post of Chief General Manager in [redacted] for a period upto 30 September 2023. This fact was not disclosed by [redacted] at the time of submission of his joining report. Also appointment letter was issued on absorption basis. • It may also be noted that the guidelines of the Department of Public Enterprises (DPE) prohibit maintaining a lien when leaving a PSU and joining a private company • Being a PSU employee, [redacted] was not eligible to retain Lien while joining a private sector company. Thus, he retained a lien probably by misrepresentation to [redacted] a CPSU. • The minutes of the board meeting held on 13th September 2021 clearly indicate that hiring of candidates was to be on absorption basis only for Director level people and that PFS should not overlook any procedure in this regard. Therefore, [redacted]'s release on lien basis and maintaining lien till 30 Sept 2023 is contradictory to aforementioned board's decision of hiring candidate on absorption basis. His concealing this vital fact amounts to an act of fraud. • [redacted], **HR Head PTC informed the Board in its meeting held on 13th September 2021 that [redacted] is joining on absorption basis. This was a factually incorrect statement.** Board approved the appointment of WTDs based on this confirmation given to them. The letter of appointment was issued on absorption basis and it had no option of deputation/lien in any of its covenants. • Thus, it is clearly visible that CNK has presented its finding without giving cognizance to the complete set of documents and information made available to them and they have made baseless allegations against the PFS management. • The management of PFS had no powers or role in the appointment of Ratnesh. • MD&CEO had, in fact, no role in the appointment and joining of [redacted] PFS Board had authorized PTC HR to run entire recruitment process. [redacted] through email of 20th October, 2021 had

S No of Report	Particulars	Management's Response
		informed NRC members that PTC HR will complete joining formalities. Till then PFS had no role to play. It was not in their or PFS's control to obtain Vigilance Clearance, an unconditional Release Letter, or the regulatory compliance from [redacted] Absent these and given [redacted] failure to execute necessary documents to furtherance of the decision of the Board to appoint him, there was nothing that PFS could have done to take steps to appoint him. • NRC & Board in its meeting held on 16th March, 2021 had decided that entire recruitment process was to be handled by PTC HR and PFS was given no responsibility except to intimate its input of job description etc. In case there was a delay, it was caused by the resource person of PTC who took no action till next meeting of NRC of 21st June, 2021. As such blaming PFS is not only incorrect but also biased as selective information has been used and material relevant facts have been conveniently ignored by CNK
	b) As can be seen from Exhibit A, [redacted] was satisfying all the parameters amongst other candidates;	• The observation of CNK is completely baseless. It seems CNK has not evaluated the parameters independently. • [redacted] *ab-initio* did not satisfy the key requirement of joining on absorption basis as per the Board's decision. He did not provide his relieving letter to conceal this fact from PFS Board and PFS HR. This was purported to be done with the intention of making him join PFS in a hurried manner, short circuiting the laid down norms and compliances. [redacted] being a public servant, it would be appropriate to refer this matter and his conduct to the Central Vigilance Commission (CVC). • Nomination and Remuneration Committee decided to give options to candidates who had applied the post of Director (Finance) for being considered for the post of Director (Operations) also at the time of interactions. It must be noted that such changes are not done post receipt of applications as otherwise, the response of candidates could be different. • The entire process of appointment of [redacted] was handled by HR PTC India Limited

S No of Report	Particulars	Management's Response
		• The entire issue is also irrelevant now as he re-joined [redacted] in December 2021. • [redacted] retained a Lien on his job at [redacted] and was not appointed by Board on absorption basis, which was one of the important parameters not satisfied by him. • He did not comply the requirements as stipulated by the Board and mentioned in the appointment letter. • Further [redacted] concealed the relieving letter issued by [redacted] at the time of submitting joining report on 28.10.2021 and held it back thereafter also for long time and made it available only on 17th November, 2021through email. • It is pertinent to note that the erstwhile audit committee itself found that the experience of [redacted] is questionable as evident from the minutes of meetings of Audit Committee and Board held on 13th September 2021. o The Audit Committee members in the audit committee Chaired by [redacted] realised that [redacted] did not possess NBFC experience. However, rather than making their own independent assessment, audit committee relied on the views of N&R Committee. Instead, the audit committee members were of the view that [redacted] will be assisted by the team of experienced professionals in PFS who have good experience of NBFC sector and also have the guidance of MD&CEO to work as Director (Finance) & CFO. In effect, the Audit Committee recommended that [redacted] be trained in his job as a Director, drawing a compensation of over one crore plus perks, be trained and taught his job by the MD. • It is also to be noted that in accordance with the Master Directions issued by RBI, PFS is required to furnish to RBI, a certificate signed by the Managing Director confirming that fit and proper criteria in selection of the Directors has been followed. Therefore, the MD&CEO had a legal obligation to ensure that the selection of [redacted] was fit and proper, notwithstanding that the entire process was managed by PTC HR.

S No of Report	Particulars	Management's Response
	c) The objections raised by the MD&CEO on the appointment of [redacted] which included that he did not have the requisite experience of 'NBFCs' was already considered by the NRC and the Board while accepting his appointment;	• CNK has been selective in presenting facts and they have failed to mention the extracts of audit committee meeting held on 13th September 2021. The extract of audit committee is given below. • It is pertinent to note that the erstwhile audit committee itself found that the experience of [redacted] is questionable as evident from the minutes of meetings of Audit Committee and Board held on 13th September 2021. o The Audit Committee members in the audit committee Chaired by [redacted] realised that [redacted] does not possess NBFC experience. However, rather than making their own independent assessment, audit committee relied on the views of N&R Committee. Instead, the audit committee members were of the view that [redacted] be assisted by the team of experienced professionals in PFS who have good experience of NBFC sector and also have the guidance of MD&CEO to work as Director (Finance) & CFO. • Role of MD&CEO was limited to providing certain requirements regarding the position, based on functional requirements of the Company, which were not considered by NRC and Board. • [redacted] did not have requisite experience of NBFC.
	d) It may not be out of place to mention here that the current MD&CEO also did not have the requisite experience at the time of initial appointment as Director Finance & CFO in the company; Refer Extract of 137th Board Meeting given in Exhibit AR	• CNK's comments are out of place and irrelevant to the scope of forensic audit. These are highly unprofessional, unethical, malicious and petulant comments upon the experience of current MD&CEO at the time of his appointment as Director Finance and CFO in the year 2012 • It seems CNK is unaware and has not been able to comprehend the market dynamics and changes in regulatory and business regime pertaining to NBFCs in last 10 years. • It may be mentioned that it has been norm to appoint the Board members through open advertisement and the same could have been adopted in this case also which the Board and NRC had initially decided in the month of March 2021 and June 2021.

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		• It is important to be cognizant of the fact that the regulatory regime for NBFCs is constantly changing and RBI is very closely monitoring and supervising the functioning of NBFCs. • Since the identification of stressed loan accounts in banking sector, reference of largest exposures to NCLT under IBC norms, failure and collapse of [redacted] etc., RBI has been constantly and frequently tightening the regulatory regime / norms. • Subsequent to 2012, RBI has announced unprecedented regulatory and supervisory measures such as flexible restructuring of loans, strategic debt restructuring, special norms for infrastructure projects and their restructuring, resolution as per circular dated 7th June 2019, resolutions and measures taken during COVID times, risk based internal audit mechanism, introduction of scale based regulation, ~~liquidity management~~ framework, RBI's carve outs in respect of Ind AS norms for NBFCs etc. • All the above measures are only a part of measures introduced since 2012, hence, it is not only improper but also illogical and irrational to compare the skill set required currently with that in 2012, needless to mention the unprofessional and unethical nature of such views.
	e) Even after appointment of [redacted] technical points were sought to be highlighted (without informing the Board);	• [redacted] points were not technical. These relate to the compliance with applicable laws, terms and conditions of the appointment letter and approvals accorded by Board. • [redacted] submitted joining vide his letter viz., Joining report dated 29 October 2021. However, his Release order from [redacted] was shared by him for the first time only on 17 November 2021 by email and his copies of qualification certificates on 18 November 2021. As per offer of appointment dated 7 Sept 2021, he was required to provide the 'release order' and 'qualification certificates' at the time of joining. • The joining report was defective since the date of joining was mentioned as 29 September 2021. • [redacted] had retained lien on the post of Chief General Manager in [redacted] for a period upto 30 September 2023. This fact was not disclosed by [redacted] at the time of submission of his joining report. The fact

S No of Report	Particulars	Management's Response
		that he did not disclose retention of Lien and concealed the relieving letter issued by [redacted] raises serious concerns regarding his integrity and ethics. • Being a PSU employee, [redacted] was not eligible to retain Lien while joining a private sector company and also the appointment latter was issued on absorption basis. • It may also be noted that the guidelines of the Department of Public Enterprises (DPE) prohibit maintaining a lien when leaving a PSU and joining a private company. • Thus, he appears to have misrepresented to [redacted] a CPSU for retaining lien which was not allowable in terms of his appointment letter. [redacted] being a [redacted] employee (a CPSU Company) was governed by misconduct rules and is in serious violation of code of conduct applicable to government employee. It is a clear cut case of misrepresentation, deliberately hiding crucial information resulting into the matter being blown out of proportion by the Ex Independent Directors of PFS, thereby causing serious damages, loss of reputation and goodwill of the Company, inviting regulatory concerns into corporate governance. The acts and conduct of [redacted] present a fit case for reference to CVC. • The minutes of the board meeting held on 13th September 2021 clearly indicate that hiring of candidates was to be on absorption basis only for Director level people and that PFS should not overlook any procedure in this regard. Therefore, [redacted]s release on lien basis and maintaining lien till 30 Sept 2023 is contradictory to aforementioned board's decision of hiring candidate on absorption basis. His concealing this vital fact amounts to an act of fraud. • [redacted] HR Head PTC informed the Board in its meeting held on 13th September 2021 that [redacted] is joining on absorption basis. This was a factually incorrect statement. Board approved the appointment of WTDs based on this confirmation given to them. The letter of appointment was issued on absorption basis and it had no option of deputation/lien in any of its covenants. • Thus, it is clearly visible that CNK has presented its finding without fully verifying the complete set of documents and information made available

S No of Report	Particulars	Management's Response
		to them and they have made baseless allegations against the PFS management. • The direction of Board were actually implemented in letter and spirit. There was no request from [redacted] to allow him deviation from his appointment letter and therefore the comments of CNK are irrelevant and without any basis.
	f) [redacted] was not given any co-operation nor allowed to function in his new role (by not sending him notices of meetings which he was entitled to attend);	• CNK's views are beyond facts. • On the contrary, [redacted]s conduct raises doubts about his integrity and ethics. • **It is pertinent to mention that the allegations that [redacted] was not given any co-operation are merely based on hearsay. Nobody including the Ex-Independent Directors, [redacted], the then Chairman PFS and CNK have provided any documentary evidence regarding the said allegations.** • [redacted]s joining formalities were never complete, he did not join PFS and hence, this observation becomes baselsss. • [redacted] submitted joining report dated 29 October 2021. However, his Release order from [redacted] was shared by him for the first time only on 17 November 2021 through email and his copies of qualification certificates on 18 November 2021. As per offer of appointment dated 7 Sept 2021, he was required to provide the 'release order' and 'qualification certificates' at the time of joining. • The joining report was defective since the date of joining was mentioned as 29 September 2021. • [redacted] through his email dated 20th October, 2021 had informed NRC members that PTC HR will complete joining formalities. Till then PFS had no role to play. It was not in their or PFS's control to obtain Vigilance Clearance, an unconditional Release Letter, or the regulatory compliance from [redacted]. Absent these and given [redacted] failure to execute necessary documents to furtherance of the decision of the Board to appoint him, there was nothing that PFS could have done to take steps to facilitate him. Since he did not join PFS, there

S No of Report	Particulars	Management's Response
		was no question of facilitating his functioning. PFS did not put the appointment of [redacted] on hold, as [redacted] himself did not complete the prerequisites for the joining. • The invites for the Board meetings are sent in accordance with the provisions of Companies Act and the rules made thereunder. • In accordance with the Companies Act and rules made thereunder, appointment o[redacted] would have been complete only if he had submitted his consent in DIR-2 form, which he never did. [redacted] never became Director of PFS in the eyes of law and therefore no notice of Board could have been sent to him without violating law. Further in case, it is assumed that he had joined PFS and was a Director of PFS, why did he not resign from PFS and joined back [redacted] without getting relieved from PFS?
	g) It appeared that he was forced to seek Leave of Absence for the meeting of 9th November 2021 where the company has rightfully issued the notice to him	• It is clearly recorded in the minutes of Board meeting held on 8th November 2021 approved by [redacted] that [redacted] stated that it would be better to invite [redacted] for the meeting and ask him if he does not want to attend, he can ask for leave of absence. • [redacted] asked leave of absence from meeting held on 9th November 2021. • It is clearly recorded in the minutes of Board meeting held on 9th November 2021 that on request of Independent Directors, invite was sent to [redacted] • Thus, [redacted] was invited only at the instance of Ex Independent Directors which was clearly a violation of law sinc[redacted] was not eligible to receive the notice of Board meetings and participate therein as Director of PFS.
	h) Delayed information to the Board about his rejoining [redacted];	• CNK's views are based on incomplete review of information • PTC HR handled the entire appointment process, in violation of RBI's directive on maintaining arm's length between PTC and PFS. It is

S No of Report	Particulars	Management's Response
		understood th[redacted]again concealed the fact of his re-joining [redacted] which is unbecoming of a public servant. • PTC HR requested [redacted] HR vide email dated 23rd December 2021 regarding the status of [redacted] • [redacted] informed PTC HR vide email dated 24th December 2021 that [redacted] has rejoined [redacted] on 6th December 2021. • PTC HR communicated the same to [redacted] Ex Company Secretary, PFS on 3rd January 2022, who in turn informed all the Ex Independent Directors on 4th January 2022. • It may be noted that there had not been any Board meeting since 09.11.2021, and discussion on this issue was proposed at the next board meeting, as borne out from PFS' email dated 15.01.2022, along with a detailed note on this issue and all correspondence sought by the Resigning IDs in this regard (as made available by PTC India Limited).
	i) Not informing the stock exchanges / SEBI (as per SEBI regulations) about the position remaining vacant;	• CNK's observation is baseless and based on lack of understanding of applicable SEBI regulations • PFS informed BSE and NSE on 14th September 2021 that the Board of Directors of the Company in their meeting held on 13th September 2021 has approved the appointment of [redacted] as Whole Time Director designated as Director (Finance) & CFO w.e.f. date of his joining. • [redacted]s appointment would have been effective when he joined PFS after completing all the necessary documentation and stipulated process • [redacted] never joined PFS and never submitted his consent in DIR-2 form. • Hence, the requirement of informing the stock exchanges never arose.
	j) No serious effort has been made subsequently to fill the vacancy;	• CNK's observation is factually incorrect • After reconstitution of the Nomination and Remuneration Committee, restoration of necessary authority and approval of NRC and Board, the

S No of Report	Particulars	Management's Response
		Company has already advertised vacant position for Executive Director in Credit Appraisal function and Director (Finance) & CFO • ED monitoring has already been appointed in July 2022.
	k) Incomplete and factually wrong replies given to SEBI resulting in SEBI vide email dated 02nd March 2022 communicating that the explanations given by the company are not satisfactory.	• CNK's observation is false, malicious and speculative statement. • CNK has failed to examine and review the detailed reply submitted by the Company to SEBI. The replies given have to be read as a whole. • CNK has not provided any evidence based on which they feel that the Company gave incomplete and factually wrong replies to SEBI • It is also important to note that SEBI also did not give any basis / instance for it being unsatisfactory. • Therefore, it is incorrect to say that Company gave an incomplete and factually wrong replies to SEBI.
3	It seems that the management ensured that the position of Whole Time Director (Finance) remained vacant and thwarted efforts to fill in the vacancy.	In this regard, it is submitted as under: • The allegations raised by CNK that management ensured that the position of Whole Time Director (Finance) remained vacant and thwarted efforts to fill in the vacancy are baseless and without merit as already explained in various paragraphs of PFS response above. • On the contrary, CNK's findings are without giving cognizance to the documents / information provided to them by PFS and evaluation of the facts. • It is purely speculative, highly inappropriate and unprofessional to allege that the management ensured that the position of Whole Time Director (Finance) remained vacant and thwarted efforts to fill in the vacancy. • As mentioned in sequence of events above by CNK, the Board of Directors in their meeting held on 12th November 2018, noted the minutes of 32nd and 33rd NRC meeting and "*with respect to the actions for filling up the position of Director (Finance) & CFO, the various aspects were discussed by the Board including identification of the suitable candidate for the post and its requirement. After detailed discussions, the Board desired that the Nomination & Remuneration Committee may consider to*

S No of Report	Particulars	Management's Response
		issue the advertisement for the position of Executive Director level / EVP and in order to attract good candidates a clause be inserted in the advertisement that based on her/his performance there exists possibility of further elevation to board level position." • As mentioned in the above resolution of the Board meeting held on 12th November 2018, the Board decided that in place of Director (Finance), the advertisement for the position of Executive Director level / EVP may be issued who can be later elevated to board level position. • Thus, Board decided not to appoint Director (Finance). • The conduct and fraudulent acts of [redacted] have already explained in great details at various places in PFS' response in this report. • **MD&CEO, PFS was completely disempowered by the erstwhile Chairman / Board. MD&CEO had no powers to decide on the appointments, transfers, promotions and postings at the level of functional head and one level below. In other words, the MD&CEO could not even appoint a Manager in PFS and even RBI, the regulator of NBFCs had raised concerns.** • It may be mentioned that Nomination and Remuneration Committee of PFS, in its meeting held on 23rd December 2019, took the strange and unprecedented decision that all the HR matters of PFS shall be dealt with the approval of Director (HR), PTC, which included, matter related to appointments, transfers, postings, promotions etc. and internal communication to employee. PFS (HR) team was to assist Director (HR), PTC in all these matters. • Subsequently, in its meeting held on 27th January 2020, the NRC made certain amendments to above. However, MD&CEO continued to be completely disempowered by the erstwhile Chairman / Board. MD&CEO had no powers to decide on the appointments, transfers, promotions and postings at the level of functional head and one level below. In other words, the MD&CEO could not even appoint a Manager in PFS. • This abnormal arrangement diminished the arm's length relationship between the holding company and its subsidiary. • RBI raised concern on arm's length relationship of Company with its Parent Company i.e. PTC India Limited in its inspection report and mentioned that Arm's length relationship with its parent company, PTC

S No of Report	Particulars	Management's Response
		India Limited, was not ensured w.r.t the management of human resources. • RBI also raised this as a Supervisory Concern during its inspection for the year ended 31st March 2020 and directed that the company shall ensure arm's length relationship with its parent company, i.e. PTC India Limited, w.r.t the management of human resources. • The inspection report and supervisory concerns were raised by RBI vide its letters dated 12th May 2021 and 4th June 2021 respectively. • The above inspection reports and directions of RBI were placed before the Board of PFS, which regrettably did not comply. • The concerns raised by RBI were also reviewed by the Ministry of Power (MoP) which directed PTC and PFS to comply with RBI's report and recommendations to the satisfaction of RBI. • MoP specifically directed reversing of decisions that impair proper Corporate Governance, maintenance of suitable arm's length distance between the two companies and immediately addressing the conflicts. • In blatant disregard to the supervisory concerns and inspection findings of RBI, and directives issued by MoP, the erstwhile and Board decided to entrust the entire process of appointment of Directors to HR of PTC India Limited. • From the above, it is clear that there was blatant disregard of regulatory directives and procedural compliances by HR PTC. • The then Non-Executive Chairman issued the appointment letter to [redacted] on 7th September 2021 even before the PFS Board accepted and approved the recommendations of N&R Committee and Audit Committee and approved the appointment of [redacted] for the position of Director (Finance) & CFO by PFS Board. The same is evident from the minutes of Board meeting held on 13th September 2021. • It is pertinent to mention that the Board authorised the then Non-Executive Chairman to take all actions relating to appointment of [redacted] and undue haste was exercised to ensure the joining of [redacted] on 29th October 2021 without submission of required documents as stipulated in appointment letter signed by the then Chairman.

S No of Report	Particulars	Management's Response
		• The joining process was led by the then Chairman and [redacted] HR PTC and it was closer to the last day of the then Chairman. • [redacted] submitted joining confirmation vide his letter viz., Joining report dated 29 October 2021. However, his Release order from [redacted] was shared by him only on 17 November 2021 through email and his copies of qualification certificates on 18 November 2021. As per offer of appointment dated 7 Sept 2021, he was required to provide the 'release order' and 'qualification certificates' at the time of joining. • The joining report was defective since the date of joining was mentioned as 29 September 2021. • [redacted] had retained lien on the post of Chief General Manager in [redacted] for a period upto 30 September 2023. This fact was not disclosed by [redacted] at the time of submission of his joining report. Also appointment letter was issued on absorption basis. • It may also be noted that the guidelines of the Department of Public Enterprises (DPE) prohibit maintaining a lien when leaving a PSU and joining a private company • Being a PSU employee, [redacted] was not eligible to retain Lien while joining a private sector company. Thus, he retained a lien probably by misrepresentation to [redacted] a CPSU. • The minutes of the board meeting held on 13th September 2021 clearly indicate that hiring of candidates was to be on absorption basis only for Director level people and that PFS should not overlook any procedure in this regard. Therefore, [redacted]'s release on lien basis and maintaining lien till 30 Sept 2023 is contradictory to aforementioned board's decision of hiring candidate on absorption basis. His concealing this vital fact amounts to an act of fraud. • [redacted] **HR Head PTC informed the Board in its meeting held on 13th September 2021 that** [redacted] **is joining on absorption basis.** This was a **factually incorrect statement.** Board approved the appointment of WTDs based on this confirmation given to them. The letter of appointment was issued on absorption basis and it had no option of deputation/lien in any of its covenants.

S No of Report	Particulars	Management's Response
		• It is pertinent to note that the erstwhile audit committee itself found that the experience of [redacted] is questionable as evident from the minutes of meetings of Audit Committee and Board held on 13th September 2021. o The Audit Committee members in the audit committee Chaired by [redacted] realised that [redacted] did not possess NBFC experience. However, rather than making their own independent assessment, audit committee relied on the views of N&R Committee. Instead, the audit committee members were of the view that [redacted] will be assisted by the team of experienced professionals in PFS who have good experience of NBFC sector and also have the guidance of MD&CEO to work as Director (Finance) & CFO. In effect, the Audit Committee recommended that [redacted] be trained in his job as a Director, drawing a compensation of over one crore plus perks, be trained and taught his job by the MD. • It is also to be noted that in accordance with the Master Directions issued by RBI, PFS is required to furnish to RBI, a certificate signed by the Managing Director confirming that fit and proper criteria in selection of the Directors has been followed. Therefore, the MD&CEO had a legal obligation to ensure that the selection of [redacted] was fit and proper, notwithstanding that the entire process was managed by PTC HR. **Thus, it is clearly visible that CNK has presented its finding without fully verifying the complete set of documents and information made available to them and they have made baseless allegations against the PFS management.**
4	As also can be seen from our Draft Report on the Loan Accounts (Annexure VI), there are several procedural and other irregularities for the sanction and disbursement of these Loans. There is every possibility that these irregularities would have been noticed or highlighted by the new appointee or in any case it would have put in place an additional level/s of checks and balances.	• **These comments are highly hypothetical and baseless.** • PFS has provided its response on CNK's allegations in draft report on loan accounts at relevant places. • It must be noted that [redacted]'s conduct is itself questionable, unethical and casts serious aspersions on his integrity. He himself committed a fraud by concealing his relieving letter and thereafter, by quietly re-joining [redacted]

S No of Report	Particulars	Management's Response
		• After reconstitution of the Nomination and Remuneration Committee, restoration of necessary authority and approval of NRC and Board, the Company has already advertised vacant position for Executive Director in Credit Appraisal function and Director (Finance) & CFO • ED monitoring has already been appointed in July 2022. • The response on loan accounts is provided separately on CNK's observations which have not found any material weakness. These comments by CNK are in extremely poor taste and highly unprofessional.

PFS Management Response on CNK Final Forensic Audit Report on

Corporate Governance

PFS Management Response on Final Report by forensic auditor – Corporate Governance Matters (Ref VIII. CNK Report on Corporate Governance Matters

	Particulars	Management's Response
VIII	While issuing the draft report and final report, the responses received from PTC India Financial Services Limited (hereinafter referred to as management / PFS / Company) were considered, Changes, as required, have been incorporated for the management responses in this report. It maybe pertinent to point out that many of the responses of the management (for which, external professional assistance was sought without our approval by sharing our preliminary findings / draft report with them which we consider highly unprofessional) were repetitive, critical, and harping on the point that the verification was beyond scope or beyond the period covered in the Engagement Letter (EL). Our view in the matter is that though an initial period was mentioned in the EL, we have requested for documents for the earlier / later period/s and have included our findings on the same to the extent these documents were made available.	• PFS prepared a detailed response to each of CNK's preliminary observations, clarifying the numerous factual and conceptual errors as well as refuting the vague and unsubstantiated comments. The repetition was necessitated because multiple observations of CNK had similar/identical infirmities and required corrections/clarification/contextualization. • PFS is an independent company and reserve the right to appoint any firm or consultant to assist it. PFS appointed the forensic team of [redacted] which is a globally reputed consulting firm and the leading forensic auditor in India. PFS engaged [redacted] to review PFS's responses and provide an independent view on CNK's observations and PFS's responses. Accordingly, [redacted] gave their comments after reviewing the PFS responses along with all supporting documents. • There is no restriction on PFS in engaging any external professional. • It is important to mention that PFS provided its response on the draft report. However, CNK has deleted the PFS' response from the main report and have incorporated the same as an Annexure in the final report. While doing so, they have chosen to omit their observation corresponding to the PFS response and have given the reference number only instead. CNK has also not included many crucial facts provided to them by PFS in order to complete the inputs which were important to make conclusions. Thus, they have used selective information and many vital information have been omitted. • CNK had asked for documents and has made observations on the events which happened beyond the review period, which was unnecessary and needlessly delayed the submission of the final report. • It is emphatically stated that **CNK has not been able to raise any Corporate Governance issues as per the agreed scope of work**. As per the agreed scope of work in engagement letter, **CNK was required** o ***"to review electronically stored information including email communications and documentation in relation to the loan facilities to ascertain any non-disclosure of relevant information (including***

	Particulars	Management's Response
		information which is incorrect on financial reporting, loan recovery process and in relation to any fraud established through forensic audit report on any particular account) to the audit committee / Board which will have a material impact." o *"Assess and report about implications of such missing information, if any identified, on recovery process and financial reporting of the Company"* o *"to ascertain the veracity of the issues raised by the Independent Directors of the Company in resignation letter/s dated 19th January 2022 having material impact on the company".* • Further, *"Material Impact" means any event which result in material adverse impact on financial position on the accounts of PFS and performed with sole motive of malafide intention / fraud wherein any such critical information was not disclosed to Audit Committee or Board and is in contravention of PFS policies or directions of the Board or statutory requirement, having significant impact on decision making related to such project /proposal".* • Many of the observations made by CNK are a mere repetition of the issues raised by Ex Independent Directors without any substantiation with facts, which was required to be done by them as per the terms of engagement. The Corporate Governance matters regarding the loan accounts are identical to the ones made in their draft report on loan accounts dated 24th October 2022. The other observations relate to operational business matters and cannot be classified as corporate governance matters, particularly since there is no factual substantiation of those observations. Moreover, in several instances, CNK has been selective in presenting or highlighting facts. They have also commented on decisions/actions of that are well beyond the audit period stipulated in the Engagement Letter. • While CNK has commented on the selection of [redacted] WTD in the draft report, it has completely omitted the fact that the appointment was contrary to the industry best practices and in fact the attempted joining of [redacted] was a fraud on the Company: [redacted] deliberately did not present his relieving letter from NTPC in which he was relieved on lien and not absorption as per the eligibility requirement. [redacted] who handled the entire selection, also gave a false declaration to the Board that he had come on absorption. All these and other irregularities were pointed

	Particulars	Management's Response
		out in great detail by [redacted], a reputed Firm appointed by PTC to review [redacted]election. They were also pointed out in great detail by PTC's RMC, which looked into the issues raised by the exiting IDs. None of these has been even mentioned leave alone discussed or refuted by CNK. Such glaring omissions lead to the irrefutable conclusion of selective reporting by CNK. • The observations are irrelevant / redundant because these do not establish or indicate any material impact on the financials of the Company. As per the agreed Engagement letter, CNK was required *"to ascertain the veracity of the issues raised by the Independent Directors of the Company in resignation letter/s dated 19th January 2022 having material impact on the company"*. • Further, "Material Impact" means any event which result in material adverse impact on financial position on the accounts of PFS and performed with sole motive of malafide intention / fraud wherein any such critical information was not disclosed to Audit Committee or Board and is in contravention of PFS policies or directions of the Board or statutory requirement, having significant impact on decision making related to such project /proposal". • The observations of CNK do not relate to adverse impact on financial reporting, any fraud or malafide intention on part of management wherein any such critical information was not disclosed.

A Methodology of CNK

S No	Particulars	Management's Response
1.	**Review of 'pst' File of Ex Company Secretary and MD & CEO (as provided by PFS Team)** Though 'pst' files of both email ids being used were provided (as informed all mails from one id were auto forwarded to other), inspite of multiple requests, PFS team has not provided us the confirmation for entire sharing / access of emails for both the emaol ids of MD&CEO. We have relied upon information provided to us and the mail confirmation that mails are auto forwarded. Hence, our comments are based on the verification of pst file/s made available. Also, an official from PFS was constantly sitting when the CS came which was very intimating to the team.	• The note mentioned by CNK is factually incorrect and misleading • PFS team has provided the 'pst' file of both the email IDs of MD&CEO and Ex Company Secretary • PFS also provided a signed declaration by the entire forensic audit team confirmation the all relevant documents, records, information, loan files, agendas, reports, PST file including emails have been provided to CNK for their audit purposes. • PFS team organised two meetings of CNK team with Ex Company Secretary in which PFS official were mere spectators since the meetings were co-ordinated by PFS. PFS did not intimate anything to Ex-CS or CNK officials during the said meeting. Rather CNK team provided the access of PFS laptops / system available with CNK for audit purposes to Ex Company Secretary without informing PFS or seeking approval of the same from PFS, which is a significant breach of confidentiality of information clause as per engagement letter. It must be noted that CNK team also sent email to RBI providing PFS' information to RBI without seeking PFS' approval or informing PFS about the same. • Thus, CNK seems to be making a made false narrative that no confirmation has been made available by PFS for entire sharing / access of the emails for both the email IDs of MD&CEO.
2.	Review of points highlighted by the current Independent Directors in the PTC RMC Report dated 23rd May 2022	• It must be noted that the PTC RMC report was discussed in PTC Board meeting and not PFS Board meeting. The points highlighted by current independent directors are in their capacity as Directors of PTC India Limited and not as Directors of PFS as seems to be contention of CNK. Further, all the IDs of PFS were not part of PTC RMC. It was expected that a forensic auditor would at least verify elementary facts before making such comments. • It is evident from CNK's report that CNK has considered only the points highlighted by [redacted] and [redacted] which are only a part of the report and not the entire report. • CNK has ignored the conclusions and full and final findings of the PTC RMC report which was adopted and approved by PTC Board and provided by PFS to CNK as received from PTC.

S No	Particulars	Management's Response
		• It is important to mention that under the law and Constitution, the resolution passed by the majority alone is considered as the view of the Board. Hence emphasizing them, to the exclusion of the majority view approved after a due vote, exhibits an ignorance of law.

C Summary of Governance issues highlighted by 3 ex-Independent Directors in their resignation letter dated 19th January 2022

S No	Particulars	Management's Response
1.	Issues in respect of appointment of Mr. Ratnesh as Whole-Time Director. (We have also simultaneously issued our separate report on the same)	• PFS has provided its detailed response on the report in respect of appointment of [redacted] The following response must be read in conjunction with those responses provided by PFS. • The appointment of [redacted] as Director (Finance) & CFO **does not have any material impact on the accounts of PFS.** • It may be mentioned that Nomination and Remuneration Committee of PFS, in its meeting held on 23rd December 2019, took the strange and unprecedented decision that all the HR matters of PFS shall be dealt with the approval of Director (HR), PTC, which included, matter related to appointments, transfers, postings, promotions etc. and internal communication to employee. PFS (HR) team was to assist Director (HR), PTC in all these matters. This decision disempowered the MD & CEO and HR department of PFS. • **The process of appointment of [redacted] was handled by PTC HR led by [redacted] and [redacted] the then Chairman.** • The entire process of appointment of [redacted] has been independently audited in detail by [redacted] which submitted its report to PTC India Limited. The report severely indicts the erstwhile NRC of PFS and PTC HR for various serious acts of omission and commission. This report has also been sent to the regulators. • The attempted joining of [redacted] was bad in law and process. Mr. [redacted] committed a fraud on Company by concealing material information that he had retained lien in NTPC, for completion of his joining formalities. [redacted], Head of PTC HR made a false declaration to the Board that [redacted] is joining on absorption basis. • The PTC Board commissioned an enquiry by its RMC into the issues raised by the resigning Independent Directors of PFS, which included the appointment of [redacted] The PTC RMC report also severely indicted the PTC HR for various serious acts of omission and commission. **This report of PTC RMC has been considered in detail by PTC Board and accepted.** • It may be pointed out that both [redacted] report as well as PTC RMC report have been submitted to the regulators.

S No	Particulars	Management's Response
		• It may be mentioned that ever since the powers pertaining to HR function were restored to PFS management, PFS management with approval of NRC and Board has appointed one Executive Director in the Company and has already advertised vacant positions for Executive Director in Credit Appraisal function and Director (Finance) & CFO. These posts will be filled in due course after following a transparent Board approved process. • The sequence of event indicating the role of [redacted] in recruitment process for Director in PFS along with his email dated 20th October 2021 stating that PTC HR will ensure completion of their joining formalities and then handover the process of their orientation is placed at the end. • It is emphatically reiterated that as per the decision of the previous NRC, the entire process of recruitment of Directors was run by PTC HR. PFS had no role. It may also be noted that this decision of the previous NRC to take away the HR powers of the MD and transferring them to PTC HR was not in line with RBI's supervisory concerns regarding arm's length relationship between PFS and PTC. The entire process and procedure of [redacted] selection has been examined, discussed and deliberated in PTC RMC's enquiry. The Report of PTC RMC has been subsequently discussed in detail and approved, by majority vote, in the PTC Board and therefore all issues have been addressed. [redacted]s still working with NTPC. PFS has now notified post for Director (Finance). Further, this matter has no bearing on the financials of PFS. • PFS had no role in the appointment of [redacted] The corporate governance concerns have been reported by RBI in its supervisory concerns dated 4th June 2021 as mentioned below. "**Management** – The company shall ensure arm's length relationship with its parent company, i.e. PTC India Limited, w.r.t the management of human resources. It was observed that the independent functioning of the CRO was not ensured in terms of regulatory requirements regarding roles, responsibilities and reporting of the CRO of the company. Further, independent functioning of the Business Committee, which took important decisions relating to your company, was also not ensured. The independence of the functioning of the Business Committee could not be ascertained as the Chairman of the Committee was also the Whole Time Director on PTC India

S No	Particulars	Management's Response
		Limited" • Therefore, there is no corporate governance issue on the part of PFS management.
2.	Issues regarding [redacted] loan. (We have also simultaneously issued our separate report on the same)	• PFS has provided its response on the report in respect of [redacted] Loan. The following response must be read in conjunction with those responses provided by PFS. • It is important to mention that Ex Independent Directors have not taken up [redacted] matter as a governance issue in their resignation letter. There is no issue of Corporate Governance on the said loan matter. • Critical information have been presented to the Board without any significant delay • The forensic report for [redacted] loan was inconclusive and no fraud was evident from the report. Further legal opinion given by [redacted], Senior Advocate Supreme Court and [redacted] erstwhile Chief Justice of India also corroborated the same. • There has been no delay in pursuing in legal options and preferring OTS and instant case the OTS offer is 72% of the principal amount which is substantially on the higher side as compared to the industry's experience of recovery in similar stalled thermal projects. The OTS proposal is under discussion with the Board for last 2 years. • The Board of PFS had constituted a Committee of 2 Independent Directors and the said Committee in its report submitted in April 2021 has interalia recorded, **"However, from an overall point of view, on close scrutiny of the various notes and documents, and direct interaction with PFS officers, the committee is of the view that the non-disclosure and non-compliance may have not been deliberate or malafide."** Thus, Committee had already certified that there was no malafide or deliberate intention. This report was accepted by the Board on 17th May 2021. • After these views of committee of two Independent Directors constituted by Board and acceptance of their report by the Board, the issue whether there was any delay has already been examined and accepted by the Board. • There is no evidence stating that there was delay in supply of information by the management has been made by Independent Directors in their said report

S No	Particulars	Management's Response
		too. This matter was discussed in the Board meeting held on 17th May 2021. Nowhere in the minutes, it has been mentioned that there was delay in furnishing information to the committee of Independent Directors. IDs also did not give cognizance to this particular issue during their meeting held on 5th October 2021, though it was already brought to their knowledge in the meeting of 5th August, 2021. The Independent Directors in their minutes of meeting held on 5th October, 2021 had certified the flow of information to Board or committees as excellent. • PFS's various efforts to resolve the accounts have been informed to the Board, RMC and Audit Committee from time to time. Further, decisions of Board, RMC and Audit Committee have been implemented in this case. The loan account has also been reported to RBI as suspected fraud. • 100% provisioning has been made in respect of the said loan account, hence there is no financial impact on the Company's books and /or malafide intention on part of management as all Critical information have been presented to the Board without any significant delay
3.	Unilateral change in conditions of loan, without prior approval of the Board (we have also simultaneously issued our separate report on the loan accounts)	• PFS has provided its detailed response on the report in respect of loan accounts. • There are no issues of Corporate Governance on the matters as the pre disbursement condition stipulated by Board has been captured as Pre disbursement condition in the loan facility agreement and these were complied by Borrower • Required Action Taken Reports on the matter has been reported to the Board subsequently held in May 2022. The same has been confirmed by the internal auditor and the legal counsel.
4.	No action on corporate governance issues highlighted by [redacted] ex-Chairman in the 137th Board Meeting held on 5th August 2021; **CNK Observation on Summary of Governance issues highlighted by 3 ex-Independent Directors in their resignation letter dated 19th January 2022**	

S No	Particulars	Management's Response
	The concerns mentioned by the Independent Directors and in their resignation letters and [redacted] Ex-chairman in 137th Board meeting dated 05 August 2021 are serious corporate governance issues. It seems that the management was unilaterally taking major decisions in the functioning of the company and by-passing the DOA as well the directions of the Board. The same can also be corroborated from our report on the same. The Board has not concluded that matter in the meeting after hearing to MD&CEO as it is clear from the conclusion of the minutes is mentioned as under: "The Chairman reiterated that it is now upto the Board to decide further course of action on these and other matters of this nature, and the Board may deliberate on the issues in this or any future meeting of the Board." It is evident from the above minutes that the Board/ was not satisfied with the replies of MD & CEO.	• The concerns mentioned by [redacted] the then Chairman are given below with our response on the same. • The comments made by CNK team are factually incorrect, baseless and misleading. No instance of any corporate governance issues on part of PFS management has been provided by CNK. • CNK team has also not reported any instance of violation of Delegation of Authority by the PFS management. • The concerns of Ex-Chairman PFS were responded by MD&CEO in the same meeting and the said responses are recorded in the minutes approved by [redacted] himself being the then Chairman of PFS Board. • Those matters were never raised in any subsequent Board meeting by any Director and thus, were concluded. • The concerns mentioned by Ex-Independent Directors in their resignation letters and [redacted] Ex- chairman in 137th Board meeting dated 05 August 2021 are baseless and factually incorrect. • In fact, the Independent Directors in their meeting held on 05.10.2021, rated the management with **"an excellent"** rating for issue of quality, quantity and timelines of flow of information between the company and Board that is necessary for the Board/ Committees to function effectively. • The para (iii) of the resignation letter of Ex Independent Directors under the heading "No action on Corporate Governance issues", they have mentioned only the issues highlighted by [redacted] the Ex Chairman of PFS in the board meeting held on 5th August 2021 and not any other issue. • It is reiterated that the alleged issues pertaining to corporate governance alleged by [redacted], ex- Chairperson, are some trivial operational issues and were duly and satisfactorily replied to/dealt with at the same meeting. The matters mentioned by the then Chairman seem to be a response to RBI's observations on non-maintenance of arm's length between PTC and PFS on HR matters. The reason for the response was understood when the Chairman mentioned that the RBI report should have been given to him separately since now the matters pertaining to conduct and conflicts of PTC's nominee Directors on the Board of PFS were brought out in PFS Board. • It is important to mention that while CNK has highlighted the concerns of the then Chairman, however, they have chosen to omit the responses

S No	Particulars	Management's Response
		provided in the same meeting which is recorded in the minutes of the meetings. They have also omitted to mention that at the very same meeting (which was held on 05.08.2021), the Board approved the Annual Report for FY 2020-21. It confirmed the fulfilment of the all the corporate governance requirements without any reservation. It may be noted that [redacted] did not record any reservations in this regard. Minutes of this meeting were duly noted and confirmed at the following meeting of the board, without any reservation by any board member including [redacted] A Practicing Company Secretary has also certified this position. • The responses referred above that were provided by the MD&CEO in the same meeting, which are recorded in the minutes of the meetings are reproduced below: *"MD & CEO informed the Board that he would like to give his point-wise answer to these points. On the issue of data supply from PFS to PTC, primarily it was with relation to the divestment process and initially there were issues which were resolved and data outflow was happening well and whatever was required for carrying out of due diligence, that data has been provided to the satisfaction of the PTC team. He further stated that a fairly good job was done by PFS team despite the team size being small and within constraints, but they delivered with extra work. Sometimes the team had worked late night/ overnight.* *He further informed the Board that as far as presentation to RMC of PTC goes, he was asked by Chairman, RMC of PTC to make a presentation and he made a presentation. With respect to the point that the presentation was changed, he mentioned that it was incorrect. He further stated that as the copy of the presentation was already available with PTC, there may have been a line which was at variance with what he spoke during the presentation. Since, the copy of the presentation was later asked from PFS afresh, out of 35 slides used during the presentation based on the actual presentation, a minor modification was done in one of the slides to capture the point made in the actual presentation which was in line with his statement made during the presentation to PTC's RMC. RMC minutes of PTC could be checked if required. This had been also clarified by him in the earlier board meeting.*

S No	Particulars	Management's Response
		He further informed the Board that with respect to reporting of suspected fraud, the Board had desired that the meeting of the Audit Committee to be held by 1st week of July for ensuring that reporting to RBI is done timely. He also agreed that he got a mail from the Chairman, ACB and he replied to Chairman, ACB that a discussion on ECL policy, which was pending from quite some time, was also needed. PFS was working on the same because one of the suggestion of the Audit Committee was to check with other NBFCs and find out comparative practices. However, due to covid situation the same exercise could not be completed, therefore he had also sent mail to, the Chairman ACB requesting him that since the exercise was almost complete, PFS management needed one more week's time so that both the matters could be placed before the Audit Committee. It was further informed to the Board that Chairman, ACB was kind enough to consider this, and that due to this the meeting of the Audit Committee could not be held in the first week of July and the same could be held on 19th July. He further stated that the draft was submitted to the Audit Committee. Audit Committee later gave its suggestions, and based on the same, letter shall be sent to RBI. He further agreed that there had been a delay of 10-11 days that was due to finalisation of ECL policy on the lines of the earlier direction of the Audit Committee. *He further informed the Board that on the issue of signing of that particular Deed of Covenants, not signing or signing is prerogative of [redacted] He further informed that he also spoke to [redacted] and his only problem was that he would not like to sign an antedated document and that was his concern. He further informed that [redacted] never expressed anything related to his concerns on governance matters of PFS. On this, the Chairman stated that he has informed to the Board what [redacted] has informed to him. MD &CEO stated that, if required, [redacted] can be invited for clarification.* [redacted] *the Chairman ACB, informed the Board that once there is a direction by the Board, there was no authority with Chairman, ACB to change it. Board is the final authority. Therefore, once the timeline was given by the Board, he promptly wrote a letter to circulate material for the reporting to RBI in advance, so as to achieve the timeline. It is not for the*

S No	Particulars	Management's Response
		Chairman, ACB to extend the timeline unless the Board extended that timeline. He further informed the Board that as far as the RBI letter is concerned, the Board in its own wisdom had fixed the date of first week of July based on urgency. The two matters i.e. RBI reply and ECL model could have been dealt separately, and he had mentioned as much to [redacted] *and that it was not in his hands to extend the timelines.* *MD&CEO further explained that in line with the decision taken in the 134th meeting of the Board, i.e. the matter related to* [redacted] *be reported to RBI by the PFS Management in consultation with the Audit Committee, a note on the same was prepared and put up in the Audit Committee meeting held on 19th July, 2021. The Committee discussed the matter and directed that the note be further elaborated to include more details. The amended note was again put up in the audit committee held on 30th July, 2021, wherein the Audit Committee directed to further amend the note in line with discussions. The further amended note in line with the discussions of the Audit Committee was put up in the Audit Committee meeting held on 4th August, 2021, certain modifications carried in line with the discussions, and the revised note has been circulated. MD stated it is about to be finalised and would be sent to RBI very shortly."* **The point-wise response to** [redacted] **issues is as under:** a) <u>Delay in holding meeting of Audit Committee in connection with the "suspected fraud" of the</u> [redacted] <u>account</u> **Response:** This issue is baseless and factually incorrect since there was no delay in convening a meeting of the Audit Committee. There had been 47 (forty-seven) meetings of the Board and Committees during a period of eleven months – almost one meeting per week during the Covid pandemic. This was also the period during which the government had declared a nationwide lockdown, hence making such a statement reflects absence of objectivity and compassion on the part of the Ex-Chairman. Many employees of the Company and their family members had contracted Covid. Consequently, there was very limited availability of personnel.

S No	Particulars	Management's Response
		Three audit committee meetings were held in 15 days despite the constraints put by NRC and Board in augmenting / strengthening the staff and restrictions imposed during COVID period. The Audit Committee meeting was held on 19.07.2021. As required by the Audit Committee, a draft letter was placed for its consideration at this meeting, which was reviewed by it and changes were recommended. The amended note was put up in the Audit Committee meeting held on 30.07.2021, wherein the Audit Committee directed to further amend the note in line with the discussion held. The amended draft was circulated on 02.08.2021 and was reviewed again at the Audit Committee's meeting held on 04.08.2021, where after it was redrafted and with the approval of the Audit Committee submitted to the RBI on 12th August 2021. Thus, within little over two weeks, at the instance of and as required to meet the requirements of the Audit Committee, three iterations of the draft were made by audit committee which took a time of 25 days whereas the audit committee could have been earliest scheduled on 12th July 2021 which took place on 19th July 2021 i.e. 7 days. RBI has not reverted on this matter. Thus, holding of meeting of audit committee for this matter was in no way urgent as audit committee took 25 days to finalise it and the same has not been responded by the addressee even after lapse of 15 months. b) Refusal by Director (Marketing), PTC India Ltd. to sign Duplicate Deed of Covenants allegedly on account of certain governance issues at PFS **Response:** This issue is completely false, as borne out from the email of [redacted] in relation to whom this allegation is levelled. Thus, this is an incorrect statement made to the Board by the Ex-Chairman which, CNK seems to have ignored / omitted. [redacted] raised his concern that he would not like to sign an antedated document. It may be mentioned that the Deed of Covenant is required to be signed at the time of appointment of Director and the same is ensured by the Compliance Officer of the PFS. [redacted] the then Company Secretary was designated as the Compliance Officer of PFS and it was a lapse of his duties on his part that he did not get the Deed of Covenant signed from the Director at the time of appointment and did not ensure regulatory compliances.

S No	Particulars	Management's Response
		c) <u>Communications addressed by the RBI to the Chairperson were not given to him but were presented at the Board.</u> **Response:** The Inspection Report and communications in connection with the same with the Reserve Bank of India were placed before the Board, including Ex-Chairperson, as abundantly borne out from the board minutes. This was in accordance with the express direction of the RBI in the Supervisory Letter to place the same before the Board of PFS for necessary action. Further, it is not that RBI had directed that the Letter was to be confidentially placed before the Chairperson. Being a member of the Board the Chairperson had also received the communications. Therefore, the purported grievance is incorrect as the Company only followed the RBI's directions and maintained full transparency by placing iot before the Board. The minutes of 135th Board meeting held on 21st June 2021 interalia record that, "The Nominee of PTC also pointed out that more than one letter from RBI, forming part of the instant agenda are addressed to the Chairman. It is apparent that the letters have never reached the Chairman or his office, and have in the first instance been put up as part of an agenda by the CFO. Not having a designated office of the Chairperson, or a Standard Operation Procedure (SOP) vide which any letter(s) addressed to the Chairperson are first accessed by him is a cause of concern to the Board. He further desired that there should be Standard Operating Processes (SOPs) to deal with this, so that such instances do not occur in future." Thus, it has already been accepted by nominee Director of PTC that there was no SOP in this regard, so it cannot be considered as a violation of corporate governance or indiscipline. By bringing it directly before the Board without routing through Chairman, there was no violation of Corporate Governance. Chairman, PFS is a non-Executive functionary and does not have a designated office, which was the case here. The RBI letter had also directed that this be put to Board of Directors for necessary action.

S No	Particulars	Management's Response
		d) Inputs required by the committee of independent directors on the [redacted] issues were delayed **Response:** There was no delay, as alleged, and we repeat and reiterate what is hereinabove stated in this regard. There is no mention in the report of Independent Directors that there was delay in supply of information by the management. This matter was discussed in the Board meeting held on 17th May 2021. Nowhere in the minutes, it has been mentioned that there was delay in furnishing information to the committee of Independent Directors. IDs also did not give cognizance to this particular alleged delay during their meeting held on 5th October 2021, though it was already brought to their knowledge in the meeting of 5th August, 2021. The Independent Directors in their minutes of meeting held on 5th October, 2021 had certified the flow of information to Board or committees as excellent. e) Issues regarding presentations before the Risk Management Committee **Response:** The issue raised amounts to no issue at all. As, *inter alia*, mentioned in the minutes of the board meeting held on 05.08.2021, a presentation was made to the Risk Management Committee of PTC and a copy of the same was submitted. The presentation was online and was recorded. Based on the discussions during the meeting, minor corrections were made in one sentence in only one slide out of 35 slides. It is pertinent to note that there is no allegation that the content of the modification was incorrect. In the relevant PTC RMC minutes of 14th June 2021, RMC members had, *inter alia*, observed that PFS would require infusion of money in form of equity and the final response of MD, PFS as recorded in the minutes is, "MD, PFS responded to various queries and stated that NBFCs always need money and he does not disagree with what others have said on raising of equity. However, in view of capital adequacy ratio and unlocking of value taking place, there is sufficient cushion to raise capital to get a good value. Currently, the full potential of the value may not be realized." In line with this statement, one of the slides required deletion of a few words from one

S No	Particulars	Management's Response
		sentence and therefore, it was done, while submitting soft copy of presentation after 3-4 days incorporating the final views of the MD. This was in no way illegal or violation of corporate governance. This matter regarding change of one sentence in one slide of PPT presented to RMC of PTC, while submitting soft copy thereof was brought out in 135th Board meeting of PFS held on 21st June 2021. The MD&CEO had clarified to the Board then and again, during the Board meeting held on 5th August, 2021. MD, PFS while clarifying this issue has also stated that the original presentation made was however available with PTC, as it was online and recorded. Clearly, the Ex-Chairman's objection is trivial. By no stretch of the imagination can correcting, post facto, a hard copy of a presentation to bring it in line with the discussions be termed misgovernance. On the contrary, it is an act of good governance because it updates the record to reflect actual facts basis discussions. f) Delay in receipt of information/data from PFS although "there are certain improvements, but more needs to be done" **Response:** This issue is vague, devoid of any particulars and unsubstantiated. The alleged delay in furnishing information/data is incorrect. Moreover, even if taken at face value, it acknowledges improvement while advising that more could be done. g) Sometimes notice to Board Members did not contain required information/documents **Response:** This issue is also vague, devoid of any particulars and unsubstantiated. No such issues were contemporaneously raised or recorded in any correspondence or minutes of any meetings. In fact, the matter is contradicted and belied by the minutes of the meeting of the Independent Directors held on 05.10.2021, which states that "The Independent Directors discussed the issue of quality, quantity and timeliness of flow of information between the Company management and the Board that is necessary for the Board/ committees to function effectively and found the same as "Excellent". It was observed that all relevant information was provided to the Board in a

S No	Particulars	Management's Response
		timely fashion. This applied both to the submission of agenda papers for the Board and its committees as well as any other information that was subsequently requested for." Therefore, the statement is false and unsubstantiated. h) Appreciation for the MD&CEO by the Ex-Chairman **Response:** This requires no response. CNK has conveniently chosen to remain silent on the appreciation accorded to the MD&CEO in the Board meeting. i) Adjournment of Audit Committee meeting to settle issue of provisioning the [redacted] loan had reputational implications **Response:** This is a baseless and factually incorrect issue on the management of PFS. It may be mentioned that **audit committee meeting was adjourned by the then Audit Committee Chairman and MD&CEO had no role in the same since he was not even a member of audit committee. The audit committee was adjourned as the statutory auditors required certain comfort from the Board with respect to underlying security in the loan account.** The extract of briefing made by the then Audit Committee Chairman to the Board is given below: *"The Chairman, Audit Committee informed that the Board meeting was adjourned on the issue of difference of opinion with respect to the provisioning in [redacted] account. He further informed that issue was discussed at length with the Statutory Auditor and Management, but the discussion did not reach any conclusion. He also informed that the Statutory Auditors required certain comfort from the Board with respect to the underlying security in the loan account. He further stated that the matter was discussed with MD & CEO and he has his own submissions to make to the Board.* *MD & CEO then stated that the matter was discussed with the Statutory Auditors in detail and the issue that came up was with reference to the draft minutes of the 133rd Board meeting which contains the item covering the Board's discussions on the Report of the Committee of Independent*

S No	Particulars	Management's Response
		Directors on the [redacted] matter. There is no change in status of the account when compared to the position in the previous quarter. In the draft minutes, it is mentioned that PFS can proceed further in [redacted] OTS proposal with certain conditions and the same has created a doubt in the mind of the Statutory Auditors as to whether OTS offer holds good or not. The Statutory Auditors have also raised the issue of realizability of the underlying security. He further added that PFS has made certain submissions to the Committee in a different context that with respect to superiority of the option of pursuing the OTS offer over a court settlement because of the time and little bit of uncertainty in the court settlement. These submissions have been interpreted by the Statutory Auditors differently. *He further informed that on the points therein, the Statutory Auditors would require a confirmation duly recommended by the management and acceptance by the Board with respect to the security coverage on [redacted].* *He further added that the apparent confusion has arisen because of the draft minutes of 133rd Board meeting in which it is mentioned that a view on the OTS offer by the promoters of [redacted] be taken only after a response is received from RBI on the matter, and a conclusive forensic audit report is available. Therefore, the Auditors required clarity on the validity of OTS offer on PFS's part i.e. that the option of pursuing the offer has not been taken away. He requested to the Board that from the management's side, he is agreeable to give all kind of the confirmation to the Statutory Auditors but they insist on a confirmation from the Board based on management submission. He further suggested that giving this confirmation by the Board would be in overall interest of the Company."* **It is reiterated that CNK has only mentioned the issues raised by the then Chairman and have chosen to omit the responses provided by the MD&CEO in the same meeting.** It may be seen that this observation pertains to 134th Board meeting held on 8th June, 2021 held at 14:00 hrs. In the minutes it is mentioned that "As per request of the Chairman of the Audit Committee, the Board decided to adjourn the meeting to meet again in the evening." The meeting was held at

S No	Particulars	Management's Response
		19:30hrs in the evening of 8th June 2021, when MD&CEO had opined that [redacted] case has not been declared as fraud but a suspected fraud and as such he was not in favour of full provisioning. All other members opined it should be fully provisioned as value of security as available to PFS was negligible. The minutes of meeting record, the Audit Committee may consider the revised accounts and recommend to the Board for its approval. After further discussions, the Board decided to adjourn the meeting to meet again on Wednesday 09th June, 2021 at 12: 00 noon." Nowhere, it states that PFS management was the reason for adjournment of these meetings. It was a Board decision to adjourn the meeting to the next day. It may be informed that the meeting was continuing in late evening hours and the Chairman, PFS had said that he was not feeling well and as such the meeting was adjourned. During the adjourned 134th Board meeting held on 9th June,2021 at 1200hrs, the accounts were approved. Thus, the statement made by the Then Chairman PFS that action of management caused a reputational loss is patently false as proved from the above facts. Thus, it is abundantly clear that the concerns raised by Ex-Chairman were largely pertaining to conduct of himself and the independent directors. These do not point to any deficiency or any lapse on part of PFS officials or management.
5.	Independent directors' communication blatantly ignored (Refer point no. D3 of CNK Observations below);	PFS response is given under point no. D3 of CNK observations below.
6.	Skewed or no information shared to the Board (Refer Point no. D3 of CNK Observations in this report).	PFS response is given under point no. D3 of CNK observations below.
		It may be mentioned that [redacted] and [redacted] had commented only on 3 issues viz. appointment of [redacted] submission of

S No	Particulars	Management's Response
		forensic report in NSL case and [redacted] report and in these cases they had expressed opinion different in PTC RMC report. In respect of all other points listed at 3 to 6 above, all the members of PTC RMC were thus, unanimous in their conclusions, which was adopted and approved by PTC Board. All the points at 3 to 6 above brought out by Ex Independent Directors as mentioned above by CNK were thus, not accepted by PTC RMC and PTC Board unanimously. The PTC RMC report and minutes of PTC Board meeting were made available to CNK as received from PTC.

D CNK Observations regarding the Corporate Governance

S No	Particulars	Management's Response
1.a	Policy regarding Loan documentation not routed through legal functional head Background ▪ In the 129th Board Meeting dated 29th October 2020 it was discussed at Agenda Item No. 129.10, "On a query regarding the functioning of the legal department, the Board was informed that litigation matters are handled by the Company Secretary and loan documentation is handled by a different officer of the Company. On a further query, it was clarified that the work of the said officer was earlier supervised by the Company Secretary informally; ▪ The Board expressed the view that all matters related to legal may be handled by the Company Secretary, who is also the Head of Legal Department in the Company, and the other officer may have a formal reporting to him. MD&CEO stated that a senior officer was required in the Legal Department, and he would discuss the same with Nominee Director of PTC separately." ▪ In our understanding, the definition of the functional head given in the policy of delegation of power approved by the Board is as under:	• In accordance with the approved organization structure of the Company, the Ex Company Secretary was neither functional head nor administrative head of the legal department. The understanding of Sh. Deepak Amitabh, the then Chairman, was incorrect. • CNK has itself confirmed in the observation that the Head of Department is Whole-Time Directors. • As per Delegation of Power of PFS, M4 level officer i.e. Whole Time Director is the head of the department. Further, as per HR Office order No. 6/2018, the legal department, inter-alia, was allocated to Director (Operations). • Therefore, the functional and administrative heads in PFS are at the level of M4 and accordingly, Director (Operations) was the functional and administrative head for the legal function. Accordingly, all legal files were routed through Director Operations. • Any practice of routing the loan document/ security creation files through Company Secretary cannot be considered as per the Board approved delegation of power. • As per the Board minutes and also confirmed by CNK team, the Board had expressed its views that all the matters related to legal may be handled by the Company Secretary. This was **neither a direction nor a decision of the Board.** • After the Board expressed its views, it is recorded that MD&CEO had stated in the same meeting that he would discuss the matter with nominee director of PTC separately. Accordingly, the matter was discussed by MD&CEO with the ~~nominee director~~. • MD&CEO informed that there was an informal arrangement since long, by which [redacted] the then Company Secretary was looking informally at the legal files. There cannot be an informal arrangement.

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<tr><th>S No</th><th>Particulars</th><th>Management's Response</th></tr>
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<tr><td>1.</td><td>Functional Head</td><td>Function Head of respective unit responsible for working of unit under the supervision and control of the Head of Department.

The Functional Head shall be the senior officer of the unit not less than M 2 level (in case head of unit is not at M 2 level then Director may designate an officer of not less than G 14 to be the functional head of that unit)</td></tr>
<tr><td>2.</td><td>Head of the</td><td>Whole-Time Directors</td></tr>
<tr><td>3</td><td>MD & CEO</td><td>Managing Director & Chief Executive Officer</td></tr>
<tr><td>4</td><td>M4</td><td>Whole Time Director</td></tr>
<tr><td>5</td><td>M3</td><td>Officers falling under Grades G 18, G19, G 20 and G 21</td></tr>
<tr><td>6</td><td>M2</td><td>Officers falling under Grades G 15, G 16 and G 17</td></tr>
</table>

Based on the above, it seems that the functional head is not a Director at xM4 level but below M4 level. Further, being a corporate there is no informal routing of the files to Company Secretary & Head Legal.

CNK Comments
Despite the Board direction as above, legal files do not seem to have been routed through the legal functional head but are approved by MD & CEO. As per DOA, security confirmation is to be given by the functional head (who was Company Secretary & Head Legal in case legal department) but all the disbursements were made without the Confirmation of the security by the legal functional head. Further this is also the violation of Board specific directives as</td><td>
• [redacted] Independent Director mentioned that there should be one Head of Legal and anybody handling legal matters should report to Head of Legal. It is re-iterated that [redacted] Director Operations was the Head of Legal and [redacted] was reporting to him for litigation matters an[redacted] was reporting to him for loan documentation.
• MD&CEO informed that he will speak with Nominee Director of PTC and [redacted], the then Chairman confirmed that we are only suggesting and ultimately, the choice is yours.
• Accordingly, this is not a corporate governance matter since
  o [redacted] – Director Operations was Head of Legal at that time
  o Chairman confirmed that he was only making a suggestion and final choice will be of MD&CEO.
• The comments made by CNK team are factually incorrect and there were no violations of Board's directives. It is inappropriate on part of CNK to abet on the informal arrangement of routing files.
• It may be mentioned that the Board's view that the Company Secretary is also the Head of Legal Department is incorrect. The Delegation of Power approved by Board and also confirmed by CNK clearly states that Head of Department are the Whole-Time Directors. Ex Company Secretary was not the Whole-Time Director.</td></tr>
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S No	Particulars	Management's Response
	given in 129th Board Meeting. The Board minutes were very clear that the Board desired that legal files to be routed through the Company Secretary & Head Legal	
1.b	**Alteration in documents** On 19th February 2021, a draft response to the query raised by the committee of two independent directors of NSL was prepared and addressed to Mrs. Pravin Tripathi for her email dated 19th February 2021 where she raised queries and concerns and asked for clarifications. An internal note for the submission of documents to the committee was put up for approval of competent authority by the nodal officer and it should be signed by the legal head of the company. **CNK Comments** **As per the copy of the note provided to us, it seems that the name of company secretary was subsequently removed.**	• CNK has itself confirmed that the Head of Department is Whole-Time Directors. • As already clarified in response to observation D(1)(a) above, as per Delegation of Power of PFS, M4 level officer i.e. Whole Time Director is the head of the department. Further, as per HR Office order No. 6/2018, the legal department, inter-alia, was allocated to Director (Operations). • Therefore, the functional and administrative heads in PFS are at the level of M4 and accordingly, Director (Operations) was the functional and administrative head for the legal function. Accordingly, all legal files were routed through Director Operations. • The internal note was routed through Director (Operation) who was also Legal Head at that point of time before putting up to MD & CEO. Thus, the internal note was signed by the Legal Head and there was no requirement of submission of same through Ex Company Secretary. • There was no requirement for signing of the internal note by Ex Company Secretary • Further, as per CNK comment that *"it seems that the name of company secretary was subsequently removed"*, it is not clear from where this inference is being drawn. CNK has perhaps not understood the Delegation oif Power not are they sure about their comments made in the final report. CNK has not provided any evidence regarding the comments made.
1.c	**Minutes of Committee of Directors for Loan Recovery (CDL) not presented to the Board** ▪ Committee of Directors for Loan Recovery (CDL) is an internal committee of the company and all the crucial details regarding	• The CNK comments are not based on facts of the matter and hence, opinionated. CNK has commented

S No	Particulars	Management's Response
	the Loans recovery, Stress Loan Accounts, EWS loan accounts, NPA which contains status of loan accounts and corrective steps are discussed; ▪ During our audit period i.e., from April 2019 to March 2022, 22 CDL Meetings were held and minutes recorded but the management had not shared any details to the Board regarding the discussions held in CDL meetings. **CNK Comments** ▪ Although CDL is an internal committee, minutes thereof should be presented to Board or RMC so that they may take note of the same. We believe that presenting the same to be Board would have given better insights to the Board on the loan recovery process; ▪ As we understand, meetings of the CDL were held in the last week of the quarter. It was also observed that agenda was circulated as status of the project and no 'action taken report' on discussion of the previous meeting was placed to the CDL.	*"We believe that presenting the same to be Board would have given better insights to the Board on the loan recovery process"* • The Committee of Directors for Loan Recovery (CDL) is an internal committee of the Company to look into the accounts which are stressed and to decide further course of action. There is neither any requirement as per Delegation of Power, any policy nor any directive from the Board of Directors or any of its sub Committee or from regulator to present the minutes of meetings of such internal committee to the Board. • It is important to mention that the information of stress loans, EWS loans, NPAs (based on the discussions held in CDL meetings) is presented to audit committee, RMC and Board on a quarterly basis. CNK has chosen to remain silent and inform that the agendas on such loans are presented to audit committee, RMC and Board and these were made available to CNK team • The agenda items and matters discussed in such internal committee meetings are the prerogative of such committee. Accordingly, CNK's comments that no 'action taken report' on discussion of the previous meeting was placed to the CDL are irrelevant and out of context and based on CNK's seemingly limited understanding of the policies and procedures followed in the Company.
1.d	**Debt Service Reserve Account (DSRA) invoked without permission of co lender** • It was observed PFS has withdrawn funds from DSRA FD to settle the over- dues and the same would be replenished later; • In the case of Essel Urja Ltd, the Board in its 127th Board Meeting dated 23rd June 2020 had specifically enquired whether the approval of co- lender was obtained before the extraction of funds from DSRA of Essel Urja Ltd. as this project is under consortium lending. The company responded that since the time involved was short, the same had not been done. The Board was informed that such requirement of permission from co-lender shall be examined, and necessary	• The statement at D(1)(d) is factually incorrect and it is pertinent to mention that PFS invoked DSRA pertaining to its share only and thus have not drawn the portion of co-lender, which was clearly stated in the ATR submitted in 128th Board Meeting. *"Un*[redacted]*, PFS is lead with effective sanction of Rs 254 crores (share ~ 82%) and co-lender PFC's sanction is Rs 56 crores (share ~ 18%)"* • Post directives of the PFS Board and as matter of prudence, the same was informed to the co-lender vide email dated 1st August 2020 and the same was informed to the Board in the ATR furnished in the 128th BoD meeting held on 4th August 2020. However, no reply/ response from the co-lender was

S No	Particulars	Management's Response
	actions shall also be taken accordingly, and status will be informed to the Board in next meeting • In 128th Board Meeting dated 4th August 2020, the Board was informed about the action taken with respect to extraction of funds from DSRA of [redacted]. On enquiry about the requirement of consortium agreement, the Board was informed that as per the terms of the loan agreement, prior approval of the co-lender was required, while in the instant case PFS had informed subsequently to the co-lender. The Board also enquired about the response of the co-lender on the intimation sent by the Company. The Board was informed that reply of the PFC is yet to be received. The Board desired the response of co-lender shall also be placed before the Board. The Board further guided that it may be ensured that in future any such actions shall be taken on the lines of the consortium agreements only. **CNK Comments** The company has withdrawn the amount of DSRA from a loan which was funded in the consortium lending. This unilateral withdrawal without the consent and permission of Co-lenders is a violation of the signed consortium agreement by the co-lender. From the verification of records, we are unable to ascertain whether any revert from co-lenders was obtained and placed to the Board.	received and no adverse steps were taken by the co-lender. The Board noted the status of DSRA replenishment from the cash flow of the project and no responses from co lender received. Based on the deliberation, Board advised that such action should not be repeated and the Company has abided by the Board's advice. Subsequently, the loan account was prepaid on 5th October 2020. Refer the discussions in the board meeting audio recordings between 42.58 minutes to 54.53 minutes.
1.e	**Issues related to Asset Liability Management Committee (ALCO) agenda notes and approved minutes** ▪ Asset Liability Management Committee (ALCO) is an internal committee of the company wherein all the assets and liabilities mismatch and other related other related aspects to be monitored by ALCO. In terms of RBI circular, this is an important Committee; ▪ In our verification, it was observed that during FY 2021-22,	• The comments made by CNK team are factually incorrect. The company takes all ALM related matters very seriously which can be verified from the fact that ALM returns prepared and filed with RBI within due date, i.e. 10th of next month. There was enough liquidity as per the ALM statements and the liquidity positon was comfortable, accordingly, the meetings were scheduled as per the availability of all committee members.

S No	Particulars	Management's Response
	ALCO meetings were not held on time, as defined in the ALCO Policy. Minutes of the ALCO meetings were either not approved or were approved very late by MD&CEO; ▪ Though requested, the relevant signed minutes were not made available to us for our review. **CNK Comments** The company does not seem to have taken the functioning of the ALCO Committee very seriously and consider its recommendations for disbursements. To illustrate, it was observed in the ALCO meeting held on 30th March 2022 that when disbursement was being made through utilization of HQLA and not from utilization of sanctioned limits of banks and financial institutions, there was no appropriate intimation to the Board.	• It is pertinent to mention that during the forensic audit period, there was worldwide COVID 19 pandemic and lockdowns. The key officers involved in the process were also affected (concerned officer was hospitalized for several months). Despite the challenges, the company, with the dedication and commitments of its employees, not only ensured comfortable ALM positon and enough liquidity but also ensured all related regulatory compliances and filing of returns. • The minutes of meetings of Asset Liability Management Committee (ALCO) are maintained electronically. All the minutes requested have been duly provided to forensic auditor. • The company has improved the process whereas the minutes of any ALCO Committee meeting is considered in next ALCO committee meeting. Thus now, as per the process, all the minutes are duly considered and approved. • The reporting of minutes of ALCO meetings in a quarter is done to RMC (the sub Committee of the Board) in its meeting after the end of the quarter as required by the applicable norms. • After the resignation of Ex Independent Directors in January 2022, the Board of the Company was re-constituted on 30th March 2022 and thereafter RMC was constituted on 16th July 2022. Therefore, quarterly RMC meeting could not be held in quarter ended March 2022 and June 2022. • It is further mentioned that one of the purpose of maintaining HQLA is for projected disbursement. As on 31st March 2022 the total funds available was Rs 854.67 crore (30.89 % of excess requirement of HQLA). • There is no restriction placed by RBI in making disbursements through utilization of HQLA. • There is no directive by RBI / Board to provide any intimation to the Board of such events.
1.f	**Issues related to PFS Benchmark Rate** RBI, in its Risk Assessment Report, had pointed out that the company was lending at a higher rate. Around Rs 2,000 crores in 23 loan assets were prepaid by the borrowers in FY 2020-21. Due to high cost of lending, it was facing tough competition from banks	• Prepayments of loans is a common practice in infrastructure projects, not just in PFS but across the financing industry and are based on sound economic rationale. After commencement of commercial operations, the risk profile of

S No	Particulars	Management's Response
	and big infrastructure finance companies. PFS provides reply to RBI and further reduce the lending rate; **CNK Comments** It seems that PFS is not transparent in its approach of charging interest rates. PFS was maintaining higher PFSBR (i.e., Benchmark rate) than it should have. This resulted in higher prepayments resulting in shrinking loan book size and also loss of revenue	borrower improves resulting in better credit rating, thereby opening up newer sources (bonds / ECBs etc) of funds at competitive cost. • Apart from other reasons, by way of refinancing, borrowers also obtain top up loans and a higher tenor which at times is not possible for PFS to consider and offer, as may tantamount to restructuring. • The matter was presented and discussed in the Board meeting held on 29th October 2020 and thereafter in PFS Business Committee meeting held on 2nd August 2021. The discussion and minutes of meeting of Business Committee are reproduced below. *"The agenda note on status of PFS loan sanctioned and disbursement vis-à-vis budget and Prepayment of PFS loan accounts in FY 21, movement in PFSBR and summary of ICC proposals was explained to the Committee as per details mentioned in the agenda note. With respect to the movement of PFSBR, the Committee enquired about the process of passing of PFSBR to the borrowers. The Committee was informed that as per the earlier decision, PFSBR is calculated on monthly basis, however the decision to pass on the benefits of PFSBR to the borrowers is taken based on the business exigencies upon the recommendation of the MRMC Committee. It was also informed to the Committee that PFS Board in its meeting held on 29th October 2020 has desired that the management may take decision to pass on benefit/ burden of the change in PFS's base rate keeping in view of the book size as well as impact on PFS's other operational parameters and subsequently Business Committee, in its meeting held on 02nd March 2021 desired that while with respect to movement of PFSBR, there should be a balance between short-run profitability and considerations for maintaining loan book size, which in turn impacts the Company's ability to do business in future. The management explained the above criteria currently followed in the company."* • Considering the cost of borrowing, PFS shall always be higher than cost of borrowing of Bank and it is always difficult to match the interest rates offered to borrower by banks. It is evident from the past that PFS has always been receiving prepayment every year ranging between approx Rs 1,700 Crs to Rs 2,200 Crs. • PFSBR is relatively higher than base rate of Banks and other FIs and this gap was widen due to surplus liquidity available with them during FY 20-21 due

S No	Particulars	Management's Response
		to various govt schemes (atmanirbhar) under COVID-19 and reduction in repo rates by RBI. • PFS management has taken the decision for passing burden/ benefit of PFSBR in the past after reviewing short-run profitability and considerations for maintaining loan book size as well as impact on PFS's other operational parameters in the prevailing market condition • CNK seems to remained silent on the RBI's direction to ensure arm's length relationship with parent company, i.e. PTC India Limited, w.r.t the management of human resources. RBI also observed that the independent functioning of the CRO was not ensured in terms of regulatory requirements regarding roles, responsibilities and reporting of the CRO of the Company.
2.a	[redacted] **CNK Comments** • Forensic Audit report for [redacted] received on 26 November 2018 was disclosed to the Board of Directors / Committee in the Business Committee held on 16 December 2020 i.e., after a lag	• The observations have been duly responded in the final report on loan accounts. There is no issue of corporate governance based on the above clarification and justification provided • Critical information have been presented to the Board without any significant delay • Disbursements made with timeline given for some of security, which was as per Board approved condition and delegation of power of Company; • The forensic report was inconclusive and no fraud was evident from the report. Further legal opinion taken by PFS also corroborated the same. • There has been no delay in pursuing in legal options and preferring OTS and instant case the OTS offer is 72% of the principal amount which is substantially on the higher side as compared to the industry's experience of recovery in similar stalled thermal projects. The OTS proposal is under discussion with the Board for last 2 years. • PFS's various efforts to resolve the accounts have been informed to the Board, RMC and Audit Committee time to time. Further, decisions of Board, RMC and Audit Committee have been implemented in this case. The loan account has also been referred to RBI for suspected fraud. • The fact that the forensic auditor appointed by PFS submitted an inconclusive report, admittedly prepared without following and applying the detailed and

S No	Particulars	Management's Response
	of more than 2 years. (Refer our report on Loan Accounts – point H);	comprehensive forensic procedures due to lack of adequate documents from [redacted] and its Resolution Professional (who had been appointed by the National Company Law Tribunal under the IBC to manage the affairs of [redacted] has not been mentioned by CNK. CNK has also not mentioned about the disclaimer given by the Forensic Auditor. Admittedly, with the commencement of insolvency proceedings in the instant account the Resolution Professional (RP) refused to share documents with the Forensic Auditor appointed by PFS on the pretext that PFS is no more a lender to the company and did not gave seat to PFS on the "Committee of Creditors" (CoC). Therefore, the report had suggested that steps should be taken to replace the Resolution Professional and enforcing a forensic procedure through intervention of NCLT, however, the same was hampered by the fact that PFS was not given a seat in the CoC and unless the same was done, PFS had no means to enforce the suggestions of the Forensic Auditor. PFS had obtained the views of Hon'ble Mr. Justice (Retd.) [redacted] (erstwhile Chief Justice of India) to determine if fraud was made out from the forensic report, who had opined that no case for reporting of fraud had been made out). It is pertinent to note that there is no violation of any policy / guidelines of PFS as there is no requirement of presenting the forensic audit report to the Board or to any sub-committee of the Board. (whether fraud is proven or not). In the past also wherever, a fraud has been established through a forensic audit the report has not been presented to the board and only it has been informed to the board regarding the fraud in the account which is in line with the RBI directions. Further, RBI directions says that in case no fraud is detected the same is not to be reported. In the instant case, the outcome of the forensic audit remained inconclusive as the auditor could not apply detailed forensic procedures due to limited information and therefore there was no requirement to report it to the Board also. In line with the directions of the 133rd Board meeting, PFS had already referred the matter to RBI on 12th Aug'2021 as "Suspected Fraud". The vital

S No	Particulars	Management's Response
		fact that the account was referred by PFS as "Suspected Fraud" to RBI also do not find any mention by CNK in their report. It is pertinent to mention that the account was already admitted into NCLT for resolution on 18th January 2018 and after adverse decision in NCLT and NCLAT, PFS filed petition in Hon'ble Supreme Court. After Supreme Court's judgement, PFS got seat in CoC. Earlier, PFS has also filed cases of cheque bouncing u/s 138 of NI Act against the director of the company and also invoked the pledge of shares of borrower's sister concern. Supreme Court is the Apex legal court and PFS has dragged the borrower/ promoter upto it and therefore no action was pending from PFS's side. Thus the observation of CNK that no action was taken against the borrower and the promoter is blatantly misleading as mentioned aforesaid. **It is pertinent to mention that there is no requirement of FAR to inform to RBI as it remain inconclusive and as per RBI in case no fraud is detected 'Nil' report is not required to be reported. Further, the FAR was referred to RBI as suspected fraud pursuant to the decision of the PFS Board. In fact, in February 2021, while approving accounting for Q3FY2021, audit committee did not recognise it as a fraud and did not make any provision**
	• The aforesaid forensic audit report contains several adverse observations including the diversion of funds. However, the management tried to justify the report as inconclusive, and no action seems to have been taken against the borrower and promoter nor seems to have informed to RBI upon receipt of FAR. Apparently, after a time gap and based on directions of the Board and Audit Committee PFS reported the matter to RBI on 12 August 2021 and physical copies were delivered on 13th August 2021;	• An initial OTS offer was received from [redacted] the holding company in May 2019 and the offer was without any EMD amount continuous attempt made to improve the offer. Further, a clear cut legal opinion was taken to protect PFS's interest with regard to the Offer for Settlement submitted by MHPL particularly with respect to ongoing case i.e. u/s 138 and NCLT / NCLAT. At that point of time PFS had already got adverse ruling in NCLT in the instant case and its appeal in NCLAT against the ruling of NCLT also got rejected. In case PFS would have lost the case in Hon'ble Supreme Court, it would have been difficult for PFS to recover the dues. It would have also led to weakening of cheque bouncing case of Rs 125 cr. under section 138 lodged by PFS against the company. As the OTS offer was put up by the Promoter, therefore PFS was in process to get the OTS offer improved. In view of the above PFS did not object to any adjournment taken by the borrower in anticipation of better chances of recovery.

S No	Particulars	Management's Response
		Further regarding the allegation that Board of Directors were not apprised of such adjournments, is incorrect and the same was informed to the Board by legal unit in its legal case updates submitted to Board on regular basis.
	• For the IBC proceedings, at the Hon'ble Supreme Court, the Company sought adjournments apparently without any Board authorization. PFS agreed for final hearing only when Supreme Court in the month of December 2021 has decided that either they will hear the matter or dismiss the application (Refer our report on loan accounts – point F);	• It is also pertinent to mention that PFS management has fought the matter at every legal forum like NCLT, NCLAT & Supreme Court to protect PFS's interest. The effort put by PFS management led to a decision by Hon'ble Supreme Court in the favour of PFS. It is further mentioned that this judgement from Hon'ble Supreme Court is a landmark decision in all matters where borrowers attempted to evade their liability by asserting that mere invocation of dematerialised pledged shares resulted in discharge of debt. It may be noted that despite of judgment of Hon'ble Supreme Court pronounced in May 2022 in favor of PFS, though RP has given a seat to PFS in the CoC of resolution process of the instant account, NCLT is yet to convene any hearing for the loan account for last the 4 months. Thus, it is evident that addressing stress through legal route is a longish process without any timeline and without any clarity on the amount to be received against the loan.
	• The Board had already expressed concerns about the apparent weaknesses in internal controls and that the SOPs be reviewed as part of the Internal Audit in the 140th Board Meeting dated 29 September 2021. Despite the same, even after the period of six months the management did not bring any agenda to comply with the above;	• In the 140th Board Meeting dated 29 September 2021, Board discussed the concern for specific case i.e. [redacted] and not on entire portfolio. Further, Board directives as indicated in the minutes of 140th Board Meeting dated 29 September 2021 have been fully complied with. As stated by CNK that *apparent weaknesses in internal controls and that the SOPs be reviewed as part of the Internal Audit* is not a part of discussion in 140th Board Meeting dated 29 September 2021. Further Board directive for KMP certificate and Internal audit for the compliance/ Non compliance of the Board approved conditions have been done for Q3 FY 22 and Q4 FY 22 and their report have been submitted to Audit Committee. In view of the RBI circular regarding Risk Based Internal Audit, PFS has revisited its internal processes and controls with assistance of Deloitte. The

S No	Particulars	Management's Response
	• It was also observed that the main security of the loan which is the project land mortgaged to PFS was not legally enforceable as the NOC of the state government authorities which is required as per the leased deed has not been obtained by PFS. (Refer our report on Loan Accounts – point J);	agenda regarding approval of draft RBIA policy and framework has been placed to the Board for its approval. • The security related to 26% pledge was complied in line with sanction terms / amendments at the time of disbursement in Mar' 2014. [redacted] subsequently, increased the share capital of the said company without pledging proportionate shares to PFS resulting in reduced pledged shares with PFS. PFS had followed up with the company / promoter to pledge the proportionate additional shares. This fact was also mentioned in the agenda note of OTS proposal submitted to the sub-committee of the Board.
2.b	[redacted] • **Change in the condition without approval of the Board** As per the Board approved condition, the Borrower should have received extension of time from [redacted] which should result in extension in commissioning on or before 31st July 2021, which was a pre - disbursement condition as per approved Board condition while in the loan agreement same was differently captured in a way that the condition has lost its intent. It was mentioned in the loan agreement that the borrower should receive the permission from [redacted] for commissioning on or before 31st July 2021 which means the permission of commissioning can be obtained upto 31st July 2021 which as per the original condition to be received before the disbursements (Refer report on loan accounts-Point A);	• The loan account was sanctioned by the PFS Board in its meeting dated 20th December 2020 in the consortium lending lead by Ratnakar Bank Ltd and there were 2 other lenders [redacted] which have sanctioned the loan to the Borrower with common terms and conditions. Project has achieved Provisional COD on 31st Jan 2022 and final PCOD has been completed in 8th June 2022. Final COD is expected by end of October 22. For any term debt finance under construction lending, stipulation of SCOD is an essential condition to estimate financial viability and fixing the repayment dates. Since at the time of PFS sanction in Dec 2020, SCOD date of 18th Nov 2020 was expired, PFS had stipulated proposed revised SCOD and NHAI letter for COD extension as pre disbursement condition in order to validate the proposed revised SCOD. PFS received [redacted] letter for COD extension within 5 days of PFS Board sanction in which SCOD was extended for 6 months (i.e. 18th May 2022) from original SCOD date of 18th Nov 2020 and based on the same Lead FI communicated the approval of revised SCOD of 6th June 2021. Before signing of agreement, the pre disbursement condition for obtaining COD

S No	Particulars	Management's Response
		extension from NHAI was complied and hence there is no impact of any nature in either case (Interpretation). PFS Board sanction condition was complied before signing of facility agreement itself. This issue has been explained to RBI also. As per ex-IDs resignation letter, the concern is related to shifting of a condition from pre-disbursement conditions to other condition resulting in disbursement without compliance of such condition. Thus, it is evident that pre-disbursement condition was captured as pre-disbursement condition only in the loan agreement and the condition has been complied by the Borrower. Allegation of Ex Independent Director is incorrect. Also, basis the video recordings of the Board meeting dated 29th September 2021, CRO has clearly confirmed to Board that a condition has been shifted from PDC to other conditions. The same has not been captured by CNK in their report while drafting the observation. It is to mention that *due to this incorrect representation by CRO, the Board was misled to take incorrect decision towards non-compliance of Board directives in the account.* Subsequently, the Internal Auditor has also confirmed the incorrect representation by the CRO in the Risk Report. Further, with respect to language of Loan Agreement, please note that SCoD extension approval by NHAI and Lead FI was already in place even before execution of loan agreement by PFS and condition was accordingly drafted by LLC and circulated by lead bank [redacted]) and the stated condition was clearly captured as a pre- disbursement condition only. Legal opinion has been obtained from one of the leading LLC firms, [redacted] which clearly mentioned that no disbursement condition was shifted. The legal opinion has been shared with CNK for review purposes. **Therefore, interpretation of CNK is erroneous.**

S No	Particulars	Management's Response
	• **Non-reporting of the action taken on the decision of the Board taken in 140th Board Meeting** The Board in its 140th Meeting held on 29 September 2021 decided that management may bring the complete details to the Board by 31 October 2021 (Refer Point B. of [redacted] As per PFS practice and the earlier Board decisions, agenda note on the any change in the board approved condition is required to be placed to the Board on quarterly basis. However, no such reporting of the matter was placed to the Board; In 140th Board Meeting, "the Board further desired that a compliance certificate by any one of KMPs on the quarterly basis duly certifying whether all the conditions approved by the Board (related to the sanction) are captured in the sanction letter and loan agreement(s) be placed to the Board. The action on the same was taken almost 5 months later in February 2022 (which seems to be after the resignation of the 3 independent directors).	• The draft Minutes of 140th BM held on 29.9.21, were finalized on 9.11.21. Therefore the required actions were not placed due to fact that board was not constituted till April, 2022. Thereafter the status on this was placed to Board in meeting held on 24th May, 2022 and Board took note of the same. Further Board directive for KMP certificate and Internal audit for the compliance/ Non compliance of the Board approved conditions have been done for Q3 FY 22 and Q4 FY 22 and their report have been submitted to Audit Committee. The comments made by CNK team are factually incorrect.
3.	**Incorrect / incomplete information shared to the Board of Directors and non-Adherence of the Directives given by the Board** **a) No process initiated for confirmation by internal auditors for compliance on loan related matters.** In 131st Board Meeting dated 4th February 2021 the Chairman had asked for Internal Auditor Confirmation related to Loan matters which are presented to Board of Directors. Further, in the same meeting, the Board had directed that an Independent Body should also investigate these matters and give compliance to the Audit Committee, to the Board and to MD.	• The comments made by CNK are factually incorrect and selectively reported. The then Chairman asked the Audit Committee Chairman in the 131st board meeting, regarding the internal auditor's confirmation on loan accounts. • The complete minutes of this meeting alongwith the audio recording was provided to CNK. Unfortunately, CNK has selectively reported the facts.

S No	Particulars	Management's Response
	CNK Comments: From our verification, we are unable to find any agenda related to the confirmation from the internal auditors with respect to matter that is presented to the board or Audit Committee (Reference Meeting 131 at 28.32 minutes) and the same is not recorded in the minutes.	• The audit committee chairman's response and the minutes of the meeting regarding the same are reproduced below: "*We have an Internal Auditor here and asking Audit Committee who is present here, are you verifying whatever conditions have been proposed to the Board the management is doing everything according to that and Internal Auditor is presently ensuring if the conditions presented to the Board are being complied according to that only. If they are not doing the same, then the Audit Committee should ensure Independent body should look into these things and give a report to the AC. To this,* **(Reference recording of minutes of meeting 131 at 28.33 minutes)** [redacted] *Chairman of the Audit Committee responded that Internal Auditor is doing the same and has in some of the cases, in the past, they have reported deviations which were minor and Audit Committee had already instructed Internal Auditor that even if there are minor deviations, the same should be reported to the Audit Committee. The Chairman stated OK.*" **(Reference recording of minutes of meeting 131 at 29.31 minutes)** • Therefore the query of Board Chairman to Audit Committee chairman was responded by Audit Committee chairman and the same response was accepted by the Chairman of the Board and the matter was concluded there itself. Therefore, there was no requirement for further course of action by PFS. • It seems CNK has only presented incorrect and partial facts i.e. the questions raised by the Chairman of the Board to the Audit Committee and has not included the response given by the Chairman of the Audit Committee.
	b) Delays by management in providing information to Board • On 19th February 2021 [redacted] sent a letter along with a questionnaire related to [redacted] and other matters to get more information for finalizing report. The reply given by the MD and CEO that they all were busy in some another matters and replies would be given shortly but till 9th March 2021 no such replies were provided;	• The comments made by CNK Team that management has time and again delayed in sharing important information to the Board are baseless and factually incorrect and constitute selective presentation of facts. All relevant papers and information as called by the Committee were handed over from time to time. The initial information was requested on 23.01.2021 by the Committee and the same was provided in a week on 01.02.2021. Basis the

S No	Particulars	Management's Response
	• In 132nd Board Meeting held on 9th March 2021, at 23 minutes recording, [redacted] informed the Board that internal committee for [redacted] was formed on 19th December 2020 and thereafter they did not hear anything, and no draft minutes came so they were not sure what is happening; • The Chairman asked why minutes were delayed and whether it is conscious delay as he received minutes after 30 days; • In our verification, it was seen that the minutes of the 138th Board Meeting held on 28th August 2021, 139th Board Meeting held on 13th September 2021, 140th Board Meeting held on 29th September 2021 were confirmed only on 9th November 2021; • In 140th held on 29th September 2021 [redacted] had questioned why the management has not discussed the RBI Inspection report in the earlier years to which [redacted] had said that "let's not bring out this issue, if we will discuss the issues here, there are so many governance issues are going on and this was also the part of the governance issue". **CNK Comments** As can be seen from the above, the management has time and again delayed in sharing important information to the Board.	same, the Committee framed a detailed questionnaire which was sent to PFS' management on 19.02.2021, for management's reply. The reply was sent to the committee on 26.03.2021. • It must be noted that beginning February 2021 for over six months, India was reeling under the worst phase of the Corona pandemic. The government had imposed severe restrictions, including a nation-wide lock down. Offices were closed, hospitals were full with patients, people were dying and the pandemic had disrupted all walks of life. Many PFS employees and their family members were struck with Corona, hospitalised and going through extreme miserable condition. Consequently, only limited manpower was available. It must be acknowledged and appreciated that despite enormous challenges, PFS employees continued to provide full information and support to the Committee. The flaring of pandemic has been totally ignored by CNK. • This matter was discussed in the board meeting held on 17th May 2021 and there are no minutes mentioning any delay on part of management in furnishing information to the committee of independent directors. The Committee of Independent Directors never raised any concern of delay on the part of PFS to furnish information to them during their conduct of inquiry. • Further, independent directors also gave no cognisance to this alleged delay during their meeting held on 5th October 2021, though it was made by [redacted] the then Chairman in the board meeting held on 5th August 2021 and as such it was well within their knowledge. • **On the contrary, the independent directors in the same meeting held on 5th October 2021 had given a clear certificate that flow of information by the Company to the Board or any of its Sub Committee was excellent.** • In accordance with secretarial standards read with Companies Act, it was the responsibility of [redacted] the then Company Secretary and [redacted] the then Chairman to ensure that Board minutes are finalised within 30 days. The management has no responsibility thereof. • Further, the then independent directors as conscience keepers of the Board should have ensured that minutes are issued within stipulated timelines. Minutes are to be issued within 30 days and to be noted in the next minutes after their issue. • Minutes of meetings are the final agreed records of the discussions and decisions taken during the meetings and once they are confirmed, everyone is required to act and comply with the minutes.

S No	Particulars	Management's Response

		• Regarding the RBI inspection report, it may be mentioned that [redacted] question is factually incorrect since RBI inspection reports for all years have been placed to the Board as and when received.
		• RBI's inspection report for FY2019-20 was submitted to the Board of Directors in its meeting held on 17th May 2021. However, despite being a report by regulator with a directive to place it before the Board, the Board led by [redacted] the then Chairman decided to defer the agenda item pertaining to RBI Inspect report.
		• Thereafter, the matter regarding RBI inspection report was placed before the Board in its meeting held on 21st June 2021. The board decided as follows:
		  o With respect to the revisiting of the fraud risk management system for early detection of potential frauds and monitoring existing fraud cases, the Board was of the view that as PFS has already in place the Fraud Monitoring and Prevention Policy, therefore the suitable reply in this regard may be sent to RBI in consultation with MD&CEO, PFS and Group CRO.
		  o Regarding the issue raised by RBI on arm's length relationship with Parent Company and independent functioning of Committee and CRO not ensured, the Board desired that PFS may seek extension from RBI upto 30th September, 2021 for submitting its reply with this respect. The additional time is needed since this item requires extensive consultation with PTC and a Board approved policy. The Board further desired that as all these points pertain to PTC, therefore, the common Independent Director of PTC & PFS, [redacted] may take the necessary documents/assistance form PFS and PTC and may oversee the preparation of the draft reply before its submission to the Board.
		  o The reply on other points mentioned in the RBI supervisory letter and inspection report may be sent to the RBI without any further delay and [redacted] and [redacted] may give their view to PFS in case they have any suggestion.
		  o Further [redacted] also requested from the Board to mention / prepare a description in the nature of 'terms of reference' of the work to be undertaken by him in this context. The Board desired that [redacted] shall prepare the said 'terms of reference' for the work expected to be overseen by [redacted]

S No	Particulars	Management's Response
		• This matter was again placed before the Board in its meeting held on 28th June 2021: o the board was informed about the issues on which directions of the Board are sought viz: Arm's Length Relationship with PTC, Independent Functioning of CRO, issue related to Gr. CRO, and reporting of CRO, composition of the Business Committee. The Board was further informed about the draft response prepared in this regard under the oversight of [redacted], Independent Director in consultation with PFS and PTC. The Board further discussed the options mentioned w.r.t. review of certain risk reports prepared by CRO, PFS by the Gr. CRO. [redacted] Gr. CRO & Nominee Director of PTC, and it was stated that the Board may decide future process to be followed in this regard as PFS's CRO is now a fairly experienced. o **The Board discussed that the changing existing system at this instance may give the impression that something is not right in the existing system established by the Board. Therefore, after discussions, the Board desired that response may be given on the lines of continuation of existing system as the existing system is running well since last many years in PFS and there is no violation of any regulatory provisions in the same; proper response has been already drafted under the oversight of [redacted]** o The Board discussed the response drafted under the oversight of [redacted] on certain observations of RBI letter and in principle agreed with the same and desired that director(s) may further suggest any fine-tuning in the language of the draft response. It was further discussed that [redacted], Nominee Director of PTC may fine-tune the language on PTC's part and circulate draft reply to all the Board members for their review so that reply may be finalized and sent to RBI within the time frame. o In response of the Chairman asking for the views of MD&CEO, MD & CEO stated that **RBI need to be differentiated as a regulator also in the matter of supervision and management issues, RBI may look little differently from the way it would look at other observations. He further stated that the way RBI had replied, it would expect compliance of its observations. He also stated that these day's RBI's**

S No	Particulars	Management's Response
		oversight has become stricter and they are taking punitive actions even case of the public sector financial organizations. • Thus, it may clearly be seen that the delays in considering the RBI inspection report and discussion on the matters raised therein were delayed by the Board led by [redacted] the then Chairman • It is important to note that the major concerns were raised by RBI on arm's length relationship between PFS and PTC, the Board led by [redacted] the then Chairman. • **Despite such concerns raised by RBI, [redacted] ignored the suggestions made by MD&CEO and decided to give responsibility of preparing replies to [redacted] of PTC India Limited and [redacted] – independent director PTC and PFS, both having conflict of interest between PFS and PTC. It is clear that there was no intention to discuss the RBI's inspection report and to address the concerns raised by RBI. CNK has completely ignored these facts.** • Many of the issues raised by CNK pertain to the time when due to Pandemic there was lockdown / restriction in coming to office. Providing information required frequent access to the account files which were kept at PFS's office and could not be accessed from home. This fact has been blatantly missed out by CNK. Despite the adverse condition, all the information was delivered within reasonable time in such adverse circumstances for which the PFS's staff must be appreciated. This is important to keep the morale of the staff high.
	c) Communication of Independent Directors regarding N&R Committee ignored ▪ The Independent Directors on the Board of PFS and the Chairman N&R Committee [redacted] had repeatedly requested convening of the meeting of the N&R Committee for the appointment of one women ID for which the vacancy arose after completion of tenure of [redacted] on 14th October 2021 and for the issues of WTDs; ▪ But his multiple requested were not acceded / responded by neither [redacted] (MD&CEO) nor by [redacted]	• The comments made by CNK Team that there were deliberate delays in holding the N&R Committee meetings despite reminder by the Company Secretary in baseless and factually incorrect. Moreover, there was no regulatory non-compliance • [redacted], the Non-Executive Chairman of PFS Board since 9th November 2021, had informed to PTC RMC that he had more than 50 calls with Independent Directors and two video informal meetings to explain them

S No	Particulars	Management's Response
	[redacted] (Chairman); ▪ The meeting of the N&R Committee called for 10th December 2021, by [redacted] was rescheduled for next week on the request of [redacted] (the meeting was finally not held as the nomination of the candidate was withdrawn); ▪ On 12th December 2021, Company Secretary emailed as an early warning signal to [redacted] and [redacted] regarding the status of the non-compliances which can happen in future if the NRC meeting will not be held timely. It seems that there were deliberate delays in holding the N&R Committee meetings inspite of reminder by the Company Secretary.	the various issues. This is mentioned in the PTC RMC report also and was provided to CNK also. • During FY2020-21, 7 board meetings and 3 NRC meetings were held • Similarly, during FY2021-22, 12 board meetings and 5 NRC meetings were held till November 2021 (the date of resignation of Ex Independent Directors). • The term of [redacted] as Independent Director on PFS Board ended on 14th October 2021. • The Company was required to induct a Woman Independent Director within 90 days of vacancy and accordingly, such induction was required to be done by 12th January 2022. There was no regulatory non-compliance as there was sufficient time to appoint Woman Independent Director on PFS Board. • However, it can be clearly verified from the emails sent by all the then Independent Directors of PFS, including [redacted] himself, through their emails dated 18th December 2021 addressed to Chairman PFS that the primary intention of the independent directors was to grant extension in the tenure of [redacted] • The emails sent by all the then independent directors on 18th December 2021 addressed to Chairman PFS, interalia stated that "you have referred to compliance of SEBI LODR. While this is important **there are other matters that need the urgent attention of the NRC. The most important of these at present is the extension / reappointment of [redacted] as Independent Director for a period of three years as his present term ends on 31st December 2021. Your email is unfortunately silent on this issue."** • It is pertinent to mention that the policy of PFS for appointment of independent directors, as was existing on 18th December 2021, stipulated the maximum age of independent director at the time of appointment as 67 years and [redacted] had already completed 68 years of age on the proposed date of his reappointment and thus, **was not eligible to be appointed in terms of policy of the Company.** • However, the resigning independent directors were forcing and coercing the Management to call a meeting of the NRC for appointing an ineligible independent director on the board of Company. • All this information was made available to CNK but CNK has chosen not to present the same in its report nor point out the impropriety and corporate mis-

<table>
<tr><th>S No</th><th>Particulars</th><th>Management's Response</th></tr>
<tr><td></td><td></td><td>governance in [redacted] and the other ex-IDs directing the management to re-appoint him as ID despite being ineligible.
• It is also pertinent to mention that NRC could not be reconstituted on 31st December 2021 since all the then independent directors had rejected the proposal to reconstitute the NRC on the grounds that resolution by circulation was not sent to [redacted] whereas [redacted] was never a Director of PFS either de jure or de facto.</td></tr>
<tr><td>4.</td><td>Possible Non-compliance of Rules & Regulations, Circulars, and guidelines of RBI

a) Appointment of nominee directors

▪ PTC India Ltd. has nominated 2 directors as their nominees on Board of PFS. Accordingly, Board of PFS vide resolution by circulation passed on 8th November 2021 has appointed them as Nominee Directors of PTC on the board of PFS. Board Constitution on 8th November 2021 prior to approval of the resolution by circulation;

<table>
<tr><th>Category</th><th>Number</th></tr>
<tr><td>Whole Time Director</td><td>1</td></tr>
<tr><td>Independent Director</td><td>4</td></tr>
<tr><td>Nominee Director</td><td>1</td></tr>
<tr><td>[redacted] was part of Board as circular resolution was shared</td><td>1</td></tr>
</table>

• Requirement as per RBI
In terms of RBI Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit Taking Company and Deposit taking Company (Reserve Bank) Directions, 2016- Section III (Governance Issues), an applicable NBFC, shall require prior written permission of</td>
<td>• It is important to note that all changes in Directors are intimated by the Company to Reserve Bank of India.
• It is clarified that the Equity Shares of the Company are listed on the Recognized Stock Exchanges in India ('RSE') with 64.99% of the equity capital being held by Promoter and Promoter Group [i.e., PTC India Limited ('PTC India'), also listed entity on RSE] and balance equity shareholding is held by public and other shareholders. It is also matter of record that the Promoter shareholding in the Company has remained unchanged since last many years, and hence the issue of transfer of any control etc. in PFS does not arise.
• [redacted], Chairman PTC India Ltd was nominated to PFS Board as Chairman and [redacted] was nominated as Director to PFS Board by PTC India. Consequent to resignation of [redacted] as Chairman of PTC India Ltd and also withdrawal of [redacted] as nominee Director, PTC India Ltd nominated [redacted] as Chairman and [redacted] as Director on Board of PFS. It is also clarified that these nominee directors have only oversight role given the investment made by PTC India in PFS and they are not involved in management and day to day operations of PFS. As per article of association of PFS, to hold a Board meeting, the presence of minimum one nominee director of PTC is necessary. Necessary intimations to Registrar of Companies ('ROC'), Securities and Exchange Board of India ('SEBI') and Reserve Bank of India</td></tr>
</table>

<table>
<tr><th>S No</th><th>Particulars</th><th>Management's Response</th></tr>
<tr><td></td><td>the Bank for the following:

Any change in the management of the applicable NBFC which results in change in more than 30 percent of the directors, excluding independent directors. Provided that prior, approval shall not be required in case of directors who got re-elected on retirement by rotation.

CNK Comments

- Since at the time of approval by the Board, there was only two non- independent directors, appointment of 2 nominee directors would lead to change in more than 30% of directors and hence require prior written permission of the RBI.

- However, it seems that no such permission was sought by the Company from RBI.</td><td>('RBI') were filed by the Company intimating the above replacement of nominee directors.
• In the instant case there was a mere replacement of two nominee directors appointed by PTC India (in its capacity as Promoter) on the board of PFS, and there is no change in equity shareholding structure and/ or management of PFS. On account of above facts, the Company believes that no prior approval of RBI was required in terms of Para 2(c) of Reserve Bank's Circular Ref No. DNBR (PD) CC. No.065/03.10.001/2015-16 dated July 9, 2015 in respect of above two replacements.
• It may be note that similar query was received from RBI and Company has provided the same response to RBI.
• It may be mentioned that such change has happened in the past also at the time of nomination of Directors – [redacted] an[redacted] by PTC India Limited in July 2020.
• This observation is irrelevant / redundant because it does not establish or indicate any material impact on the financials of the Company. As per the agreed Engagement letter, CNK was required "to ascertain the veracity of the issues raised by the Independent Directors of the Company in resignation letter/s dated 19th January 2022 having material impact on the company". Further, "Material Impact" means any event which result in material adverse impact on financial position on the accounts of PFS and performed with sole motive of malafide intention / fraud wherein any such critical information was not disclosed to Audit Committee or Board and is in contravention of PFS policies or directions of the Board or statutory requirement, having significant impact on decision making related to such project /proposal".</td></tr>
<tr><td></td><td>b. Issues highlighted by the RBI not closed

CNK Comments

In our verification of the communication between PFS and RBI, we have not come across any communication for the final closure of the aforesaid issues.</td><td>• The Company has submitted the replies to RBI from time to time on the inspection report for the FY2019-20. Details of communication with RBI is given below:
• Inspection Report FY1920
<table><tr><th></th><th>Date</th><th>Particulars</th></tr><tr><td>1</td><td>12-May-21</td><td>Receipt of RAR and IR Letter</td></tr><tr><td>2</td><td>04-Jun-21</td><td>Receipt of Supervisory letter</td></tr></table></td></tr>
</table>

<table>
<tr><th>S No</th><th>Particulars</th><th>Management's Response</th></tr>
<tr><td></td><td></td><td>
<table>
<tr><td>3</td><td>29-Jun-21</td><td>PFS Reply on observations</td></tr>
<tr><td>4</td><td>06-07-2021 and 8 July 2021</td><td>Query of RBI on data for 1) appointment letter of RTA and also few samples of the replies sent by Kfin to the complainant and the investors 2) documentary evidence showing prepayment of loan account [redacted] group prepaid. Waneep Solar Private Limited with loan outstanding of Rs 86.5 Crs and [redacted] group prepaid [redacted] with loan outstanding of Rs 195 Crs).</td></tr>
<tr><td>5</td><td>7-07-2021 and 8 July 2021</td><td>Reply sent on queries as per RBI Email dated 6 July 2021</td></tr>
<tr><td>6</td><td>09-Jul-21</td><td>RBI Email for query on Asset classification, Provisioning/ ECL and account statement of the borrower [redacted] from April 2019 to June 2021</td></tr>
<tr><td>7</td><td>09-Jul-21</td><td>PFS Submitted reply in response to email query dated 9 July 2021</td></tr>
<tr><td>8</td><td>20-Jul-21</td><td>Response of RBI on reply to the compliance submitted by company</td></tr>
<tr><td>9</td><td>04-Aug-21</td><td>PFS reply in response to RBI email/letter dated 20 July 2021</td></tr>
<tr><td>10</td><td>26-Aug-21</td><td>Response of RBI on reply to the compliance submitted by company</td></tr>
<tr><td>11</td><td>28-Oct-21</td><td>PFS reply in response to RBI email/letter dated 26 Aug 2021</td></tr>
<tr><td>12</td><td>12-Nov-21</td><td>Response of RBI on reply to the compliance submitted by company</td></tr>
<tr><td>13</td><td>07-Jan-22</td><td>PFS reply in response to RBI email/letter dated 12 Nov 2021</td></tr>
</table>

Note:</td></tr>
</table>

S No	Particulars	Management's Response
		1. Vide letter dated Dec 31, 2021, RBI communicated pending for compliance for two points w.r.t. Inspection 19-20 in its Supervisory letter for Inspection period 20-21. 2. PFS replied on said two pending points on 04 July 22 3. RBI sent its observation vide letter dated 6 Sep 22 4. PFS submitted its reply on 20 Sep 22 5. PFS has not received any further observation from RBI. 6. PFS has ensured compliance from its side. • RBI's inspection report for FY2019-20 was submitted to the Board of Directors in its meeting held on 17th May 2021. However, despite being a report by regulator with a directive to place it before the Board, the Board led by [redacted] the then Chairman decided to defer the agenda item pertaining to RBI Inspect report. • Thereafter, the matter regarding RBI inspection report was placed before the Board in its meeting held on 21st June 2021. The board decided as follows: o With respect to the revisiting of the fraud risk management system for early detection of potential frauds and monitoring existing fraud cases, the Board was of the view that as PFS has already in place the Fraud Monitoring and Prevention Policy, therefore the suitable reply in this regard may be sent to RBI in consultation with MD&CEO, PFS and Group CRO. o Regarding the issue raised by RBI on arm's length relationship with Parent Company and independent functioning of Committee and CRO not ensured, the Board desired that PFS may seek extension from RBI upto 30th September, 2021 for submitting its reply with this respect. The additional time is needed since this item requires extensive consultation with PTC and a Board approved policy. The Board further desired that as all these points pertain to PTC, therefore, the common Independent Director of PTC & PFS, [redacted] may take the necessary documents/assistance form PFS and PTC and may oversee the preparation of the draft reply before its submission to the Board. o The reply on other points mentioned in the RBI supervisory letter and inspection report may be sent to the RBI without any further delay and [redacted] and [redacted] may give their view to PFS in case they have any suggestion.

S No	Particulars	Management's Response
		o Further [redacted] also requested from the Board to mention / prepare a description in the nature of 'terms of reference' of the work to be undertaken by him in this context. The Board desired that [redacted] shall prepare the said 'terms of reference' for the work expected to be overseen by [redacted]. • This matter was again placed before the Board in its meeting held on 28th June 2021: o the board was informed about the issues on which directions of the Board are sought viz: Arm's Length Relationship with PTC, Independent Functioning of CRO, issue related to Gr. CRO, and reporting of CRO, composition of the Business Committee. The Board was further informed about the draft response prepared in this regard under the oversight of [redacted], Independent Director in consultation with PFS and PTC. The Board further discussed the options mentioned w.r.t. review of certain risk reports prepared by CRO, PFS by the Gr. CRO [redacted] Gr. CRO & Nominee Director of PTC, and it was stated that the Board may decide future process to be followed in this regard as PFS's CRO is now a fairly experienced. o The Board discussed that the changing existing system at this instance may give the impression that something is not right in the existing system established by the Board. Therefore, after discussions, the Board desired that response may be given on the lines of continuation of existing system as the existing system is running well since last many years in PFS and there is no violation of any regulatory provisions in the same; proper response has been already drafted under the oversight of [redacted] o The Board discussed the response drafted under the oversight of [redacted] on certain observations of RBI letter and in principle agreed with the same and desired that director(s) may further suggest any fine-tuning in the language of the draft response. It was further discussed that [redacted] Nominee Director of PTC may fine-tune the language on PTC's part and circulate draft reply to all the Board members for their review so that reply may be finalized and sent to RBI within the time frame. o **In response of the Chairman asking for the views of MD&CEO, MD & CEO stated that RBI need to be differentiated as a regulator also**

S No	Particulars	Management's Response
		in the matter of supervision and management issues, RBI may look little differently from the way it would look at other observations. He further stated that the way RBI had replied, it would expect compliance of its observations. He also stated that these day's RBI's oversight has become stricter and they are taking punitive actions even case of the public sector financial organizations. • Thus, it may clearly be seen that the delays in considering the RBI inspection report and discussion on the matters raised therein were delayed by the Board led by [redacted] the then Chairman • It is important to note that the major concerns were raised by RBI on arm's length relationship between PFS and PTC, the Board led by [redacted] the then Chairman. • **Despite such concerns raised by RBI [redacted] ignored the suggestions made by MD&CEO and decided to give responsibility of preparing replies to [redacted] of PTC India Limited and [redacted] – independent director PTC and PFS, both having conflict of interest between PFS and PTC. It is clear that there was no intention to discuss the RBI's inspection report and to address the concerns raised by RBI. CNK has completely ignored these facts.**
	c. Implementation of RBIA Framework PFS had required to implement RBIA framework but as per the data and information provided to us, it seems that PFS had not implemented the RBIA till 31st March 2022 which is a violation of RBI circular.	• The Board of the Company was reconstituted on 29th March 2022 after the resignation of Ex Independent Directors. • The RMC (a sub-committee of Board) was re-constituted in July 2022. • The Risk Based Internal Audit was to be implemented by 31st March 2022, therefore, it was not possible to meet the deadline. • The Company has informed the re-constituted Board from time to time regarding the actions taken in this regard. • To ensure implementation of RBIA framework, PFS had engaged [redacted] for advising on the same. • [redacted] completed comprehensive discussion with on activities undertaken by each functions at PFS and assessment of inherent business risks associated with such activities. [redacted] also completed the review of the existing

S No	Particulars	Management's Response
		control systems for monitoring the inherent risks associated with such activities. Subsequently, based on its review, [redacted] has submitted the draft report of gap assessment and draft policy document. [redacted] took time in reviewing the risk control matrix of each function of PFS and in developing Risk Audit Matrix based on the magnitude, frequency of risk, multifunction departmental interface in PFS and RBI requirements in this regard. • The draft RBIA policy and framework was submitted to RMC of PFS which considered it during the meeting held on 10th October 2022 with respect of RMC aspects and advised to place it to the Board for its consideration and approval. • The agenda regarding approval of draft RBIA policy and framework has been placed to the Board for its approval.
5.	**Non-compliant manner in using scanned Signatures for signing the documents (as per Information Technology Act, 2000)** By using scanned signatures, the company violates the compliance of the Information Technology Act, 2000 and also the document authenticity is not valid. In future, the concerned personnel would not take responsibility of that. It also seems from the email that CFO has tried to convince the internal auditor not to include the point in their report.	• The statement made by CNK on the CFO are factually incorrect and baseless. The email by CFO is addressed internally to PFS personnel only and not to the internal auditors. The incident pertains to period when the entire country was reeling under Corona pandemic and humanity was going through the worst phase of century. Thereafter only physical signatures are being used. • The said signatures were affixed on the documents and these documents were circulated by the same person. There has been no misuse of the signatures. • The internal auditor raised these observations in its internal audit report and discussed them with the audit committee. The Audit committee asked the Internal Auditor to check total number of such incidents out of population of required sample. The internal auditor vide email dated 24th August 2022 stated that *"As an additional testing for Q4 FY 22, on sample review of 40 documents (out of above 64), no other document was observed wherein PDF signatures were used for signing of the documents (other than the 2 cases reported in IA report i.e. FMR1 & FMR 2/3)"* • The management has not concealed anything nor is there any element of fraud / malafide intention.

EY
Building a better working world

PTC India Financial Services Limited

7th Floor, Telephone Exchange Building,

8, Bhikaji Cama Place, Rama Krishna Puram

New Delhi, Delhi 110066

09 November 2022

Subject: Assistance in preparation of responses against each of the forensic audit observations alongwith EY remarks

Thank you for choosing Ernst & Young LLP ("we" or "EY") to perform professional services (the "Services") for assisting PTC India Financial Services limited ("Client" or "Company" or "PFS").

Pursuant to engagement letter dated 26 August 2022, EY has provided assistance to PTC India Financial Services Limited in preparation of responses against forensic audit observations.

Very Truly Yours

Ernst & Young LLP

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Scope of Work

EY was engaged to assist in preparation of response on behalf of the management on the audit observations:

1. Preliminary Understanding:
   - Discussion with respective stakeholders with respect to nature and extent of audit.
   - Assess the adequacy of the information submitted for review.
2. Document Review.
   - Review of observations reported under audit and discuss the same with respective stakeholders on the observations.
   - Review of underlying supporting documents against the observations.
3. Assistance in preparation of responses against each of the observations alongwith EY remarks.

Methodology:

1. Discussion with PFS management to understand the context of observations made by Forensic auditor
2. Review of supporting documents as provided by PFS management for responses added by PFS against each observation stated by Forensic auditor. We have only reviewed the observations made by Forensic auditor and have not reviewed all the documents pertaining to the loan.
3. EY scope only included reviewing the observations of the forensic auditor.
4. We are not commenting on business rationale of the decisions taken by various MDs & CEOs and the proposals made by various departments of PFS basis justification note for modifications in terms and conditions proposed to various MDs & CEOs prior to approval. It may be noted that EY has reviewed all justification notes forming part of the responses by PFS.
5. EY has performed checks to identify additional financial impact of the observations and not the original financial impact already calculated by PFS
6. We have only reviewed the data / information shared with us and have not done review of any electronically stored data

**Typically a forensic audit just states facts and not conclusions or opinions. Forensic auditor has expressed opinion and conclusions at a lot of places in the observations*

**Instances have been noted wherein observations from forensic auditor have been noted to be factually incorrect (please refer to EY remarks for details for such observations)*

**Instances have been noted wherein forensic auditor has mentioned only part of the document in reference to the observation stated. The observation could have been clarified if the whole document was reviewed and mentioned in the observation (for specifics relating to such details refer Management response)*

**EY comments on financial impact are based on full review period (01 April 2019 to 31 March 2022) rather than as on 31 March 2022.*

**In terms of review of provisioning (also reviewed by Statutory auditor till December 2021) by PFS we have reviewed the documents provided by finance team and not performed a reaudit or recalculation of the provisioning*

**Our remarks have to read in conjunction with PFS responses against each of the forensic audit observations*

**It does not appear that there are any substantial changes in the draft forensic audit report dated 24 October 2022 and final forensic audit report dated 04 November 2022.*

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Index

I. [redacted]

Sr. No.	CNK Observations-[redacted]	EY Remarks
A	<u>Modifications in critical sanction conditions post sanction approval from Board of Directors (BOD)</u> Sr N | Existing Condition | Amended Clause As per PFS letter dated 25 February 2014 a) | Security: |	- Stated observation does not fall within the scope/review period agreed as per EL between PFS and forensic auditor - Modifications in the condition were made basis the board authorisation to then MD&CEO basis the justification note provided by PFS team

<table>
<tr><th>Sr. No.</th><th colspan="3">CNK Observations-[redacted]</th><th>EY Remarks</th></tr>
<tr><td></td><td></td><td>100% pledge of shares of the borrower company equivalent to the total paid up capital at the time of disbursement

of bridge loan.</td><td>100% pledge of shares of the borrower company equivalent to the total paid up capital to be pledged in the following manner;
a) 85.53% shares of project company held by [redacted] to be pledged in demat form upfront;
b) 14.47% share of project company held by [redacted] to be pledged in demat form within 60 days from first disbursement. Additional 1% interest p.a. shall be charged from 61st day, in case the balance shares are not pledged within stipulated timeline. [redacted] to give undertaking that its shares in the project</td><td rowspan="5">- These amendments were apprised to Board in quarterly meetings
- No financial impact on accounts of PFS
- No indication of suspected fraud in instant observation made by forensic auditor</td></tr>
<tr><td></td><td colspan="3">PFS internal letter dated 10 March 2014 pursuant to request letter of [redacted] for change in terms and conditions as below against the original sanction letter dated 5 February 2014 and 25 February 2014</td></tr>
<tr><td></td><td></td><td>Condition as amended vide letter dated 25 February 2014</td><td>Amended Clause</td></tr>
<tr><td></td><td>b)</td><td>Security:</td><td></td></tr>
<tr><td></td><td></td><td>100% pledge of shares of the borrower company equivalent to the total paid up capital to be pledged in the following manner;
a) 85.53% shares of project company held by [redacted] to be pledged in demat form</td><td>Minimum 85.54% pledge of shares of the borrower company to be pledged in following manner;
a) All shares of project company held by [redacted] to be pledged in demat form (including 50 shares held by nominees in physical form) upfront except for additional shares</td></tr>
</table>

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<table>
<tr><th>Sr. No.</th><th colspan="3">CNK Observations- [redacted]</th><th>EY Remarks</th></tr>
<tr><td></td><td></td><td>upfront.
b) 14.47% share of project company held by [redacted] [redacted] to be pledged in demat form within 60 days from first disbursement. Additional 1% interest p.a. shall be charged from 61^{st} day, in case the balance shares are not pledged within stipulated timeline. [redacted] to give undertaking that its shares in the project company shall be pledged to PFS only and within stipulated time period.</td><td>amounting to Rs. 295 crores allotted on 10 February 2014 which shall be pledged within 30 days' time from the date of documentation.
b) Shares of project company held by [redacted] to be pledged in demat form in case of the shareholding of [redacted] reaches to 14.47%
c) The borrower to give an undertaking that prior consent of PFS shall be taken for increasing shareholding of [redacted] to 14.47% from current 2.55% and to pledge the same when the shareholding of [redacted] reaches 14.47% of total shareholding at any point of time.</td><td></td></tr>
<tr><td></td><td colspan="3">The above changes have been unilaterally carried out by PFS management without requisite communication to the Board of Directors ('BoD' or 'Board') of the company as per the Delegation of Authority (DoA). This change has also led to a modification in the security cover available with PFS against the Board approved sanction terms.</td><td></td></tr>
<tr><td>B.</td><td colspan="3"><u>Modification regarding initial disbursement date vs loan documentation date</u>

Basis email communication from [redacted] (PTC India) to [redacted] (PFS) dated 10 March 2014 wherein correction has been made in sanction letter for [redacted] bridge loan in relation to penal for non-creation of security.</td><td>- Stated observation does not fall within the scope/review period agreed as per EL between PFS and forensic auditor
- The modification was in favour of PFS as the period of calculating penal charges was increased
- No financial impact on accounts of PFS</td></tr>
</table>

<table>
<tr><th>Sr. No.</th><th>CNK Observations-[redacted]</th><th>EY Remarks</th></tr>
<tr><td></td><td>
<table>
<tr><td>Earlier Term</td><td>Modified Term</td></tr>
<tr><td>Additional interest of 1% pa will be charged from 61st day from the initial disbursement date</td><td>Additional interest of 1% pa will be charged from 61st day from the Loan documentation date</td></tr>
<tr><td>If security is not created in 120 days from initial disbursement date, PFS shall have right to declare event of default (EOD)</td><td>If security is not created in 120 days from Loan documentation date, PFS shall have right to declare EOD</td></tr>
</table>
Though the above changes may not materially impact the company, the above were unilaterally done by the PFS legal team in the loan agreement on the same date as the date of loan documentation.
We have not been able to obtain and verify the fact whether such modifications were subsequently presented to the Board for their approval.
Given below is the email communication for such modification, however there is no internal approval note available for the same, which indicates that the modifications were done suo-moto by the company officials.
In our view, being a stringent modification, internal approval should have been taken for the same.
</td><td>- No indication of suspected fraud in instant observation made by forensic auditor</td></tr>
<tr><td>C.</td><td>
<u>Loan considered as Project loan (as against term loan as originally sanctioned) for purpose of grant of extension of timeline for scheduled COD</u>
The Board in its 57th Board Meeting held on 28 January 2014 had sanctioned Rs. 125 crore bridge loan as a sub limit of the long-term debt facility to [redacted] for setting up of coal plant by the borrower. Bridge loan agreement was executed on 10th March 2014 and subsequently disbursement of the entire bridge loan facility was made on 12 March 2014.
</td><td>
- Stated observation does not fall within the scope/review period agreed as per EL between PFS and forensic auditor
- The Bridge loan facility was to be converted into long term debt from disbursement of long term lenders to borrower
- Extension of SCOD approved by Board as project loan as the board minutes state "PFS used the bridge debt facility as an instrument to fund the project".
- No financial impact on accounts of PFS.
</td></tr>
</table>

Sr. No.	CNK Observations [redacted]	EY Remarks
	The conduct of the account was not satisfactory as loan account showed first signs of stress as early as October 2014, i.e., within 6 months from the date of disbursement. Subsequently basis the letter dated 16 September 2015 from [redacted] there have been a request for deferment of repayment of principal amount by one year from June 2015 to September 2016 on account of delay in project implementation and changes in assumptions, leading to delays in signing of PPA and FSA. Accordingly, an agenda note was put up by PFS for extension of timeline for scheduled COD and for extension in validity of long-term loan and deferment in repayment of bridge loan. PFS in its 71st meeting of the Board held on 16th September 2015, approved revised SoD and other recommended changes. It maybe noted that the extension of timeline for scheduled COD is applicable for loans which are originally sanctioned as Project loans. In the given scenario, the Board has approved the bridge loan as a sub-limit of the Long-Term loan and not as Project Finance. Hence the extension of the SCOD is in violation of the principal sanction terms of the loan. Similar observation was also highlighted by RBI vide their email dated 14 February 2022 to the Company as reproduced below: In our view, the response provided by Company for the above RBI query that 'the modifications pertaining to extension has been duly approved by Board' is factually incorrect and wrongly communicated.	- No indication of suspected fraud in instant observation made by forensic auditor.
D.	<u>Comments on Due Diligence and Legal report not considered by PFS</u> As per clause 5.15 (xix) and clause 5.15(xx) of the facility agreement, PFS had a right to carry on Due diligence of [redacted] and its promoters for the purpose of availment of bridge loan by [redacted] It was also stipulated therein that PFS shall have received a legal opinion to its satisfaction regarding any restrictions by lenders of [redacted]	- Stated observation does not fall within the scope/review period agreed as per EL between PFS and forensic auditor. - Borrower had already applied for seeking NOC in favour of term lender (PFC) hence NOC could not be issued to borrower for loan by PFS.

Sr. No.	CNK Observations- [redacted]	EY Remarks
	[redacted] and [redacted] group companies of [redacted] for declaration of dividend by respective companies. Basis the legal due diligence report dated 22 March 2014, issued by '[redacted]' the following comments have been observed in relation to land agreement between [redacted] and [redacted]. The said land has been offered as under mortgage security to PFS for the purpose of bridge loan by the borrower. However, basis the legal DD report, original stipulated condition in the above land agreement executed between [redacted] and [redacted] for obtaining of waiver from [redacted] for creation of security interest by borrower in favour of PFS was not complied with/not confirmed by Borrower. (relevant extracts of the said report produced below): PFS has accepted the mortgage without obtaining the [redacted] from [redacted] In our view, this mortgage which is the only basic security in this loan account has become infructuous on account of non-obtaining of such NOC from authority.	- PFS had other securities as well against the loan sanctioned apart from mortgage of land - No financial impact on accounts of PFS. - No indication of suspected fraud in instant observation made by forensic auditor
E.	<u>Non verification of No-Default certificate from Statutory Auditor of</u> [redacted] As per clause 5.1.7 of the facility agreement, 'No default' certificate is to be furnished by Statutory auditors of [redacted] and of the promoters to the satisfaction of Bridge loan lender (i.e. PFS) that; - Neither the borrower, the promoter nor any director is on RBI caution or default list of any lenders; - No default has occurred or is continuing by the borrower /promoter or any of their directors in relation to repayment of any loan /financial assistance /existing borrowers and there has been no major delays in	- Stated observation does not fall within the scope/review period agreed as per EL between PFS and forensic auditor - The facts mentioned in the observation are correct related to Statutory auditor certificate obtained by PFS. However, PFS did perform additional checks on the borrower and its promoters at their end and did not find any red flag - No financial impact on accounts of PFS. - No indication of suspected fraud in instant observation made by forensic auditor

Sr. No.	CNK Observations-[redacted]	EY Remarks
	- statutory dues by the borrower or promoter in last 3 years; - None of the directors have been disqualified under Companies Act. The certificate dated 26 February 2014 as obtained from Statutory Auditors includes the following: - Statutory Auditor has not provided confirmation whether the borrower, the promoter or any director is on the RBI caution list or not; - Statutory Auditor has highlighted defaults / delays amounting to Rs 1.85 crores by the company in payment of Statutory Dues. (as given below); In our view, PFS (either deliberately or negligently) did not analyse the implications of the above observations with respect to the conduct of the borrower nor any action on the above was taken.	
F.	<u>Delays in attending to hearings of Hon'ble Supreme Court leading to a delay in resolution of the account</u> On account of default by [redacted] and as a part of its recovery procedure, PFS had invoked the pledge of shares of [redacted] on 16 January 2018 and also submitted a claim of Rs 169 crores before Resolution Professional (IRP). However, the claim before IRP was rejected for the reason that invocation of pledge of [redacted] shares led to satisfaction of claim of PFS against [redacted] The rejection was challenged by PFS before NCLT and subsequently before NCLAT. Subsequently, on 10 July 2019, PFS also filed a petition to Hon'ble Supreme Court against the judgement of Hon'ble NCLAT. It has been observed that there had been constant postponements in the hearing before the Hon'ble Supreme Court (SC) against the order of NCLAT. The same can be evidenced by an internal communication dated 28th November 2019 wherein the management has requested opinion of legal counsel for adjournment of hearing	- Per discussion with PFS management, we were informed that percentage recovery of dues through IBC would have been very low and they were exploring other avenues for recovering, i.e., OTS offer which might result in higher percentage of recovery - Board was apprised of adjournments by legal unit of PFS in its legal case updates submitted to Board at regular intervals - No financial impact on accounts of PFS - No indication of suspected fraud in instant observation made by forensic auditor

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Sr. No.	CNK Observations [redacted]	EY Remarks
	without stating of any specific reason. In our view, these adjournments led to delay in resolution of the account, which could have been resolved had the adjournments not been obtained by the Company. It is also worthwhile to note that the Board of Directors were not apprised of such adjournments being sought by the Company. It may also be noted that an OTS proposal made for the above was also under consideration at the same time. (discussed in point 8 below). The internal note stated as follows "date of hearing at Supreme Court is scheduled on 2nd December 2019. Considering that the OTS offer of the [redacted] is under consideration, PFS legal team was requested to explore the possibility of adjournment of the hearing. The borrower has already sought adjournment of hearing twice earlier. The PFS legal team has sought the view of our legal counsel [redacted] is of the view that "it is possible to seek an adjournment by circulating a letter to the court. No specific reason need to be stated in the letter." In this matter, [redacted] also took several adjournments to which also PFS had not objected. Similarly, as and when PFS seeked adjournment, the borrower also did not object. It may be noted that the final hearing took place only when the Hon'ble SC denied any further adjournments.	
G.	Delayed presentation of One Time Settlement offer (OTS) to Board [redacted] the holding company of [redacted] had submitted a One Time Settlement (OTS) offer of Rs 90 crores with staggered payments vide letter dated 08 May 2019 and a subsequent revised offer of Rs 90 crores with reduced payment timeline vide letter dated 29 July 2020. Agenda note for the proposed OTS proposal was put up to the "Business Committee of Board" only on 17 October 2020 i.e., after a considerable time gap of 17 months.	- There was no policy OTS recovery at PFS till Nov 2019 - Initial OTS offer from Borrower was received without EMD hence the same was not taken forward by PFS management - Subsequently in Nov 2019, PFS was instructed by (GOD) to prepare guidelines on OTS settlement. - The OTS policy was put up to Board/sub committee multiple times and the approval was obtained in June 2020 - The OTS proposal with EMD was received in July 2020

Sr. No.	CNK Observations-[redacted]	EY Remarks
	In our view, this substantial delay by management to present the OTS offer to the Board nor making them aware of the adjournments before the SC led to a considerable delay in resolution of the account. Attention is also drawn to Exhibit IL wherein details of the OTS are tabulated taking into account the original OTS offer (as presented to the Board after a 17-month delay) and revised OTS offer.	- The OTS proposal was put forward to "Business committee of Board" in October 2020 after 2.5 months from receipt of OTS proposal with EMD - No financial impact on accounts of PFS. - No indication of suspected fraud in instant observation made by forensic auditor
H.	Delayed Presentation of Forensic Audit report to the Board of Directors The Company had commissioned a Forensic Audit of [redacted] and had appointed [redacted] to conduct the same. The report on the same was issued on 26 November 2018. The key observations highlighted by the Forensic Auditor in its report are: ▫ The company has consciously denied access to the books of account, correspondence and details relating to their EPC contract awarded to [redacted] which was essentially the central aspect of the entire examination; ▫ Loans to related parties /entities tantamount to diversion of funds; ▫ The group has followed a step up and circular approach using several intermediate layers for share capital of various group companies. All the investor companies and holding companies have very little capital funds. This approach results in concealing the actual source of capital as cause of fund flows amongst related parties appear difficult to map for the genuine project expenditure on an Arm's length distance; ▫ The company's accounting practices with regard to transactions with [redacted] are not considered commercially prudent. Payment of advance even when the commercial contract and EPC terms have not been finalized and the receipt of advance bearing interest for the company appear	- There was no policy to place the forensic audit report to Board, it is only intimated to Board in case of any fraud - Per discussion with PFS management, the instant case, the forensic audit report for [redacted] was inconclusive hence the same was not informed to Board - No financial impact on accounts of PFS - No indication of suspected fraud in instant observation made by forensic auditor

Sr. No.	CNK Observations- [redacted]	EY Remarks
	to be strange and prejudicial to the interests of the company; ▫ Continuation of advance against an undefined EPC contract and advance by them to the company and subsequent adjustments made in the account appear to be quid pro arrangements. Given below is the Conclusion from the Forensic Audit Report: The draft of the above was also duly circulated to the management and the same was also accepted by management in its internal note dated 17 September 2018. However, it is critical to note that the management had not presented the above report (neither draft nor final) in a timely manner to the Board. The same presented to board only in the second meeting of the Business Committee dated 16 December 2020. In our view, this delay by the management and withholding of critical information from the Board, ultimately led to the delay in timely actions on the OTS proposal being discussed or settlement of the account. Given below are: a) relevant extracts of 130th Board meeting held on 19 December 2020, wherein forensic audit has been placed before the board for the first time; "It was further informed to the Board that the agenda for 2nd Business Committee meeting also contained a forensic audit report on the [redacted] loan account, conducted on instructions of PFS and dated 26th November 2018. The said report was circulated to the Committee members for the first time during the 2nd meeting. Therefore an independent legal opinion from a senior counsel has been obtained, which has already been circulated to the Board members. The Board members were of the view that review of the legal opinion on the forensic audit report which was prepared in 2018 brings out certain suspicious	

Sr. No.	CNK Observations-[redacted]	EY Remarks
	activities in the account. The Board was also of the view that there are two aspects on this account that are before the Board. The first aspect is related to the governance, compliances & reporting and the second aspect is related to the OTS offer of the promoter o[redacted] During further deliberations, it was pointed out that issues related to the matter may be classified into three parts; 1. First, the compliances and reporting aspect; 2. Second, implications of reporting of the account as Fraud to RBI as recommended in the legal opinion; 3. Third, the proposed One Time Settlement i.e. OTS matters". b) Reference for the above was also drawn by the Independent Directors in their resignation letters dated 19 January 2022; c) Relevant extract of the internal note dated 17 September 2018 wherein comments were provided by management on the draft report; d) Committee of Independent Directors have also mentioned in their report that the Forensic Audit Report was not place before the committee for a period of over two years leading to non-compliance of RBI direction and also issues in governance. PTC India Limited has also sought a legal opinion on the above matter from a senior advocate in which he has stated that there is a prima facie case of violation of Companies Act, 2013 which on being proved in accordance with law, would make the person found guilty becoming liable for punishment under Section 448 of the Companies Act, 2013. Given below is the extract of the same. The legal opinion is also attached herewith as Exhibit IN	
I.	<u>Non-Compliance of Pre-Disbursement condition and misrepresentation to Reserve Bank of India (RBI)</u> As per para 5.2.1(iii) of the bridge loan facility agreement the below condition was	- Stated observation does not fall within the scope/review period agreed as per EL between PFS and forensic auditor - Acknowledgement was obtained from REC in 2014

Sr. No.	CNK Observations-[redacted]	EY Remarks
	stipulated as a pre disbursement condition, "The Borrower shall have received a suitable acknowledgement from REC, the lead financial institution of the long term lenders, to the satisfaction of the bridge loan lender, for availing bridge loan by the Bridge Loan lender for the project and that the repayment to the Bridge Loan shall be allowed from the disbursement by the Long term lenders". On verification of the loan documents it has been observed that borrower had written to REC only for their information. The Borrower has not sought written affirmation of REC for repayment of PFS loan for their disbursement. As per the sanction terms of bridge loan, the repayment was to happen from TRA account of the disbursement from the original term loan lenders. Considering that REC was the lead banker for the original term loan, hence it is very critical to obtain suitable acknowledgement/NOC from REC to that effect. Non-compliance with the same could have jeopardized PFS position with respect to recovery. Given below is the relevant extract of the facility agreement; Further RBI had in its email dated 16 December 2021 had enquired from PFS on alleged non obtaining of NOC from existing lender (REC) and consequent committing of fraud with the connivance of the company officials. The Company (PFS) has responded to above query stating that as per sanction terms there was no condition for having NOC from existing lenders. In our view, the Company has conveniently chosen to misinterpret the "acknowledgement from REC" and has not construed it as NOC. The same has also seems to have been falsely represented by the Company to RBI. The above observation has also been highlighted in the Due Diligence report dated 22 March 2014 as issued by law firm "Dua Associates" (extract produced below) wherein PFS was required to obtain a suitable acknowledgement from REC	- Email confirmation from REC also available dated 07 April 2017 - No financial impact on accounts of PFS. - No indication of suspected fraud in instant observation made by forensic auditor

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Sr. No.	CNK Observations [redacted]	EY Remarks
	The Board Committee have also highlighted issues regarding non-compliance of pre disbursement conditions in its 25th Nomination and Remuneration Committee (NRC) meeting dated 23 January 2018 as below; "Regarding issues involved relating to loan given to [redacted] were of the views that [redacted] has made the observations against the disbursement and monitoring team as the said loan was disbursed without sufficient safeguard regarding compliances of a critical pre-disbursement condition. Further, the monitoring team headed by [redacted] did not track the utilization for a period of as long as eighteen (18) months post the disbursement. In their opinion, the disbursement and monitoring team including [redacted] and the then MD & CEO are responsible for issues relating to [redacted] loan. [redacted] and [redacted] were of the views that the case of [redacted] is a systemic failure, there are no proper system and procedures in place and therefore the Committee has also given their recommendations to strengthen the systems. Further, [redacted] and [redacted] also pointed out that assigning the role of monitoring to Director (F) who was responsible for disbursement was a questionable decision. They further informed that they are also not absolving [redacted] from this case and suggested for issuance of caution for being more vigilant so that transaction like [redacted] should not recur in future. [redacted] and [redacted] were of the views that the entire team was responsible for [redacted] case and [redacted] being one of the key managerial personnel in the team is also accountable for the same." The reference to PWC here indicates that such a report was obtained from PWC by PFS/PTC. Inspite of our repeated reminders to provide the said report, no such report was made available. We believe that the said report covers several adverse observations against the actions taken by the PFS management in the matter of NSL;	

EY

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Sr. No.	CNK Observations [redacted]	EY Remarks
	Also, though the issues were highlighted in January 2018 by NRC, no cognizance thereof or remedial action like bringing this to the attention of the Board, seems to have been taken.	
J.	<u>Security creation not complied</u> The Chief Risk Officer (CRO) of the company, in his risk report dated 12 October 2020 on OTS, has highlighted issues in relation to security creation pertaining to bridge loan. a. [redacted] has not maintained its commitment of maintaining pledge of shares aggregating to 26% of equity shares held in [redacted] with PFS; thus resulting in default of terms and conditions of the Bridge Loan Agreement. This has resulted in non-creation of valuable security; b. Non perfection of security interest in immovable properties in favour of PFS by the borrower This amounts to imperfect security creation and confirmation on the loan account. It can also imply jeopardising the interest of the company by not perfecting the security for the loan given despite alternate measure adopted by the company like obtaining of constructive delivery by deposit of original deed by the Borrower. We would also like to draw attention to point 5 above wherein lapses were also observed in creation of security interest in the immovable property in favour of PFS.	- Stated observation does not fall within the scope agreed as per EL between PFS and forensic auditor - The stated observation is factually incorrect as Risk report was dated 12 Oct 2020 while the disbursement happened in 2014, therefore PFS was not in a position to consider risk report at the time of disbursement - Further, CRO, in its report dated October 2020 has not mentioned that security was not created prior to disbursement. Thus, the observation of CNK w.r.t CRO's comments "This amounts to imperfect security creation" is not factually correct given that security was created at the time of disbursement and subsequently the same was not maintained by [redacted] - No financial impact on accounts of PFS. - No indication of suspected fraud in instant observation made by forensic auditor
K.	<u>Non monitoring of stress in the account</u> PFS did not adequately track the repayment and the utilisation of disbursed funds in the [redacted] account post disbursement. This led to an overall stress built up in the account leading to it turning into a Non- Performing Asset (NPA). The stress in the	- Stated observation does not fall within the scope agreed as per EL between PFS and forensic auditor - As the loan became irregular multiple steps were taken by PFS in relation to stress such as sale of project to [redacted] sale of account to ARC, taking over asset under SARFAESI

Sr. No.	CNK Observations- [redacted]	EY Remarks
	CNK Conclusion: Based on the above observations, our conclusion in the matter is as under: 1. Delays in presenting critical information to the Board; 2. Disbursements made despite full knowledge of imperfect security creation; 3. Not taking cognisance of several red flags pointed out by CRO reports, Forensic Reports, Board and other external reports; 4. Delays in pursuing legal options and preferring OTS (at a substantial hair-cut, which also did not happen as not approved by the Board) so as to close to close the matter.	

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II. [redacted]

<table>
<tr><th>Sr. No.</th><th>CNK Observations- [redacted]</th><th>EY Remarks</th></tr>
<tr><td>A</td><td>
<u>Manipulation of the Loan Book:</u>

The borrower has been sanctioned a revolving term debt of Rs 250 crores for meeting the fund requirements of under-construction projects of group companies. As a part of the above facility, borrower has availed loans and also repaid amounts as below:

Amount in Rs
<table>
<tr><th>Disbursement</th><th>Disbursement</th><th>Repayment</th><th>Repayment</th></tr>
<tr><td colspan="4">Tranche 1 (repaid in 98 days)</td></tr>
<tr><td>30-06-2021</td><td>250,00,00,000</td><td>05-10-2021</td><td>49,00,00,000</td></tr>
<tr><td></td><td></td><td>05-10-2021</td><td>4,00,00,000</td></tr>
<tr><td></td><td></td><td>05-10-2021</td><td>49,00,00,000</td></tr>
<tr><td></td><td></td><td>05-10-2021</td><td>33,22,688</td></tr>
<tr><td></td><td></td><td>05-10-2021</td><td>49,00,00,000</td></tr>
<tr><td></td><td></td><td>05-10-2021</td><td>1,00,00,000</td></tr>
<tr><td></td><td></td><td>05-10-2021</td><td>49,00,00,000</td></tr>
<tr><td></td><td></td><td>05-10-2021</td><td>48,66,77,312</td></tr>
<tr><td>Total</td><td>250,00,00,000</td><td></td><td>250,00,00,000</td></tr>
<tr><td colspan="4"></td></tr>
<tr><td colspan="4">Tranche 2 (repaid in 78 days)</td></tr>
<tr><td>08-11-</td><td>250,00,00,000</td><td>25-</td><td>250,00,00,000</td></tr>
<tr><td>Total</td><td>250,00,00,000</td><td></td><td>250,00,00,000</td></tr>
<tr><td colspan="4"></td></tr>
<tr><td colspan="4">Tranche 3 (repaid in 2 days)</td></tr>
<tr><td>31-03-</td><td>250,00,00,000</td><td>02-</td><td>250,00,00,000</td></tr>
<tr><td>Total</td><td>250,00,00,000</td><td></td><td>250,00,00,000</td></tr>
</table>
The disbursements on 08 November 2021 have been availed by borrower towards funding in the SPV's of [redacted]) and [redacted].
</td><td>
- The loans given in the instant case were of revolving nature and all the 3 disbursements have been made after recovering the previous disbursement
- Moreover, the loan disbursed were within the agreed sanction limit and no top up/additional loan was provided to borrower to clear outstanding dues and may not be considered as evergreening.
- Repayment out of own sources was allowed as per facility agreement
- Repayment for tranche 3 was requested by borrower and interest for 2 days also paid by the borrower for disbursement against tranche 3
- HQLA position was settled the same day.
- No financial impact on accounts of PFS.
- No indication of suspected fraud in instant observation made by forensic auditor
</td></tr>
</table>

Sr. No.	CNK Observations- [redacted]	EY Remarks
	Further the disbursement is tranche 3 i.e., on 31 March 2022 has also been availed against similar SPVs. From the above, it can be observed that: Funds availed for tranche 3 (on 31 March 2022) is for a very short period (only 2 days) vis a vis funds availed for earlier tranches which were for 78 and 98 days; - Tranche 2 had been repaid by borrower from its own funds on 25 January 2022 which indicates that the funds requirement for that particular SPV had already been met; - Disbursement for Tranche 3 was again done for the same SPVs as for done for Tranche 2, which raised doubts on purpose of disbursement for Tranche 3; - Post disbursement of Tranche 3, the facility was repaid in only 2 days by the borrower without serving prepayment notice as required under clause 9.1 of the facility agreement; - Tranche 3 disbursement was unscheduled and was proposed to be done from use of HQLA stock maintained by the Company. Further as per the sanction terms repayment of the said loan was stipulated from the long-term disbursement from senior lenders in the project. However, in the instant cases loan seems to have been repaid by borrower from its own funds itself as the span of the loan availment was only for two days. Such short availment and subsequent repayment raises suspicion on the genuineness of the transactions and particularly so when such transaction is carried out on a year-end date. Further such disbursement of funds on the year end date would result in inflation of the Year-end Loan Book and improvement of various	

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Sr. No.	CNK Observations- [redacted]	EY Remarks
	account was also highlighted by the borrower when it had sent a letter to PFS stating its inability to pay dues in timely manner and requesting for moratorium. The stress in the account was highlighted to the board only post receipt of such letter. In our view, this can also amount to negligence on the part of PFS. The above is also highlighted by RBI in its email dated 14 February 2022 to the Company PFS had also received CA certificate dated 10 September 2015 which should have been analysed in detail by the monitoring team to identify the gaps in utilisation of funds vis a vis the sanctioned utilisation. Board of directors in their 133rd Board meeting dated 17th May 2021 have also expressed their concern on such issues, relevant extract is as below: "Mrs [redacted] and Mr. [redacted] members of the Committee of Independent Directors on [redacted]ed the Board about the timeline for submission of the report. They summarised that overall, the Forensic Audit Report raises a doubt and leads to the suspicion of fraud. The Committee, therefore, expressed concern and mentioned the issues involved. The Committee expressed that apart from compliance, issues relate to governance, transparency, accountability and responsibility for timely reporting. The actions recommended by the Committee are threefold – a) report to RBI b) Set up an internal committee or engage an external advisor to address the internal control weaknesses that are evident and c) strictly abide by the Company's policy on Fraud Monitoring and Reporting (May 2018). Members of the Board discussed various aspects of the matter, and were of the view that there is no point of law involved, rather the issues involved relate to disclosures, compliances and governance".	Act, lodging of cheque bouncing case under section 138 of NI Act, invocation of pledged shares of sister concern of borrower group which were given to PFS as collateral, approaching NCLT for resolution under IBC 2016. - No financial impact on accounts of PFS. - No indication of suspected fraud in instant observation made by forensic auditor

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Sr. No.	CNK Observations-[redacted]	EY Remarks
	financial parameters of the Company like Net NPA ratio, Gross NPA ratio, Capital Adequacy ratio, etc.	
B.	<u>UDIN mismatch - Diversion of funds and weak monitoring controls:</u> As per the clause 14.3 (c) of the loan agreement the borrower shall have provide the end use certificate from the auditor of the borrower / Chartered Accountant within 45 days from each Disbursement certifying the end use of the facility and equity/ shareholder's loan brought in by the borrower/ group companies in respective identified Projects, except in case of Initial Disbursement. Based upon the above clause the borrower has submitted the End-use certificates issued by the Chartered Account dated 20th July 2021 certifying the total promoter's contribution including contribution made by the borrower in both SPVs utilizing the first Disbursement made by the company. Upon verification of the UDIN on ICAI portal it was seen that the amount certified as promoters' contribution (as per UDIN screenshot) in the SPV named [redacted]) was not in line with the certificate provided by the Chartered Accountant. The above is indicative of incorrect certification by Chartered Accountant for funds infusion by Promoters and may also indicate diversion of funds by borrower. Also, PFS has not taken care to verify this fact from the UDIN portal of ICAI. This reflects the gaps in the monitoring of such critical pre disbursement conditions by PFS. The above matter may also be referred to the ICAI for suitable action against the Chartered Accountant.	- There is no process in place to reconcile details as per CA certificate with details available on UDIN portal - Per terms sanctioned in the instant account obtaining CA certificate was not applicable for initial disbursement made. - Subsequently, the details as per end use certificate received on 16 November 2021, are matching with the details on UDIN portal. - Stated observation does not fall within the scope agreed as per EL between PFS and forensic auditor - No financial impact on accounts of PFS. - No indication of suspected fraud in instant observation made by forensic auditor

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Sr. No.	CNK Observations- [redacted]	EY Remarks
C.	<u>End Use Certificate not obtained:</u> As per conditions stipulated in the sanction, the borrower is required to submit a CA certificate, confirming the end use of funds within 45 days of each disbursement. However, for the purpose of disbursement done on 31 March 2022, the end use certificate has not been obtained by PFS. Not obtaining of the end use and prepayment of the facility by the borrower within a period of mere 2 days raises suspicions on the purpose for which the funds have been disbursed by PFS to the borrower.	- Stated observation does not fall within the scope agreed as per EL between PFS and forensic auditor - The end use certificate was not obtained by PFS as the borrower could not utilize the funds availed as informed vide their prepayment intimation (vide email dated 02nd April 2022), and the loan was repaid back in 2 days, - No financial impact on accounts of PFS. - No indication of suspected fraud in instant observation made by forensic auditor
	<u>CNK Conclusion:</u> Based on the above observations, our conclusion in the matter is as under: 1. Disbursement of funds merely for overstating of loan book and related parameters for RBI reporting as at year end; 2. Weak monitoring controls and non-receipt of end use certificate which could have led to diversion of funds; 3. Repayment of facility without serving of adequate prepayment notice (30 days) as stipulated in the facility agreement;	

III. [redacted]

Sr. No.	CNK Observations - [redacted]	EY Remarks
A.	<u>Modification of Pre-disbursement condition:</u> In the 130th Board Meeting on 19th December 2020 a proposal for sanction of Term debt of Rs. 150 crores to the borrower was approved by the Board subject to a condition that any modification in the terms and conditions may be made with the approval of the Board only, however the following modification pertaining to Extension of timeline (EOT) was made in the amended loan agreement dated 04th March 2021 without the approval of the Board. **Original Condition:** Borrower should have received Extension of Timeline (EOT) approval from NHAI related to project milestone which should result in extension in commissioning of the project on or before 31st July 2021. **Amended Condition:** The Borrower shall have received on or prior to July 31, 2021, the extension of timeline approval from the Concessioning Authority in relation to Project milestones thereby resulting in extension in the date of commissioning of the project. As per term of original sanction, the borrower, before the initial disbursement, should have submitted the extension of timeline for commissioning of the project upto 31 July 2021. However, the amended term captured in the loan agreement indicates that such extension of timeline can be obtained by the borrower upto 31st July 2021. Though the revised terms have been duly captured as pre-disbursement condition, but the manner in which it has been captured does not have the meaning of pre disbursement condition. This is because the extension which was required to be obtained on an upfront basis i.e., prior to disbursement (as per original condition) has been modified to convey the meaning that such extension in commissioning can be obtained upto 31st July 2021 (amended condition). Further on examination of the documents it was noticed that the borrower has received the consent for extension of commissioning only upto 18 May 2021 i.e, 180 days from the scheduled completion dated (19 November 2020) as per NHAI extension letter dated 24 December 2020.	- At the time of PFS sanction in Dec 2020, SCOD date of 18th Nov 2020 had expired. PFS had stipulated proposed revised SCOD and NHAI letter for COD extension as pre disbursement condition. - SCOD extension approval by NHAI and Lead FI was already in place even before execution of loan agreement by PFS - Condition was accordingly drafted by LLC and circulated by lead bank (RBL) and the stated condition was captured as a pre-disbursement condition only. - Legal opinion has been obtained by PFS on the matter - No financial impact on accounts of PFS. - No indication of suspected fraud in instant observation made by forensic auditor

Sr. No.	CNK Observations - [redacted]	EY Remarks
	It is also important to note that the borrower vide email dated 10th February 2021 has informed PFS regarding SCOD extension approved by senior lender (RBL Bank) upto 06 June 2021. PFS has proceeded with the disbursement on 10 June 2021 amounting to Rs 13.13 crores having knowledge of the fact that the EOT extension was only upto 18 May 2021 and SCOD extension was only upto 06 June 2021. However, the Company vide file no. PFS/[redacted]L/DP2214001/Monitoring/ dated 03rd November 2021 has extended the timeline of SCOD to 31st December 2021 from 06th June 2021 and for receipt of extension of timeline (EOT) for project milestone/Provisional COD (PCOD) approval from NHAI on or before 31st March 2022. Thus, the disbursement in June was made beyond the available extension of timeline and SCOD was extended after disbursement RBI had also enquired with the Company regarding the modification of the terms and conditions in the pre disbursement conditions as explained above to which company has responded Response provided by Company to RBI in its email dated 20th September 2022 have been attached herewith as Exhibit XXX. The above modifications have also been highlighted by Board of Directors in its 140th Board Meeting held on 29 September 2021, wherein they have stated as below. "The Board pointed out that when the instant proposal was approved, the Board has desired that any modification in terms and condition in the instant project shall be approved by the Board and enquired about whether there has been any deviation granted in the instant account in the conditions as approved by the Board. The Board was informed that the as per the sanctioned terms, the condition related to extension of timeline from NHAI was stipulated as pre disbursement condition, however, in the loan agreement the condition has been stipulated under the condition related to time line extension which is not a pre-disbursement condition". The Company had obtained legal opinion (Refer Exhibit IIIG) in relation to above matter wherein the lawyer has concluded stating that "the condition pertaining to extension of commissioning of the project as stipulated in the sanction letter has been appropriately captured in the facility agreement".	

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Sr. No.	CNK Observations - [redacted]	EY Remarks
	However, we believe that the legal opinion is not adequately clarifying the above matter.	
B.	<u>Delayed compliance with Board Directive:</u> In 140th Board Meeting conducted on 29th September 2021 the management of the company was directed by the Board to conduct the enquiry and submit the report relating to the modification made in terms and conditions without the prior approval of the Board. Given below is the relevant BOD extract for the above direction of the board: "The Board expressed its concern over the change in the condition approved by the Board in the agreement(s). The same amounts to a change without the approval of the Board. The management may bring the complete details to the Board in this regard by 31st October 2021. If the Board directives were not followed in the instant case, then responsibility for the same be fixed and necessary action should be taken by MD & CEO." Internal Auditors have also in their Internal Audit report for Quarter 3 of FY 2021-22 mentioned the below observations: Pre-Disbursement Condition o[redacted] was presented as condition related to Timeline extension in the agenda note (comments of risk group section) of 140th Board Meeting dated 29th September 2021: The borrower shall have received on or prior to 31st July 2021, the extension of timeline approval from the concessioning authority in relation to project milestone thereby resulting in extension in date of commissioning of project. It is to be further noted that as against the requirement of board submit report on the reasons for above modification (without approval) by 31st October 2021, no report were submitted as on the date of audit i.e., 20th February 2022. The observation of internal auditor is referring to the risk report by CRO, which has been termed as comments of risk group the extract of risk report is in below table.	- The draft Minutes of 140th BM held on 29 September 2021. were finalized on 09 November 2021. Therefore the required actions were not placed due to fact that board was not constituted till 01 April, 2022. Thereafter the status on this was placed to Board in meeting held on 24th May, 2022 and Board took note of the same. - No financial impact on accounts of PFS. - No indication of suspected fraud in instant observation made by forensic auditor

<table>
<tr><th>Sr. No.</th><th>CNK Observations - [redacted]</th><th>EY Remarks</th></tr>
<tr><td></td><td>
<table>
<tr><th>Pre-disbursement condition</th><th>Condition relating to timeline extension</th></tr>
<tr><td>Borrower should have received extension of timeline (EOD) approval from NHAI related to project milestone which should result in extension in commission of the project on or before 31st July 2021.</td><td>Borrower shall have received, on or prior to 31st July 2021, the extension of timeline approval from the concessioning authority in relation to project milestone thereby resulting in extension in the date of commissioning of the project.</td></tr>
</table>
From the record produced before us, there were no such instances/documents that confirms the management had reverted to the board regarding the same in subsequent Board Meetings. Further the management has circulated the agenda of 142nd Board Meeting which was to be held on 22nd January 2022 before which all the ID's of the Company had resigned, we are unable to find the action taken report on the aforesaid mentioned direction in the agenda of the action taken report circulated to the Board members on 15th January 2022.Therefore the management has intention not to bring the factual position to the knowledge of the Board.</td><td></td></tr>
<tr><td></td><td><u>CNK Conclusion:</u>
Based on the above observations, our conclusion in the matter is as under:
1. Amendments to the Sanction terms and conditions without obtaining approval from the sanctioning authority (Board of Directors);
2. Disbursement made in violation of approved pre-disbursement conditions (e.g., an extension of the commissioning period);
3. Delayed adherence of the directives by Board of directors.</td><td></td></tr>
</table>

EY
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IV. Kohinoor Power Pvt Ltd

Sr. No.	CNK Observations-[redacted]	EY Remarks
A.	<u>Disbursement done despite Non-compliance of pre disbursement condition</u> The borrower has in his PDC compliance certificate stated that the borrower has infused Rs. 54.63 crores in the project as the equity requirement. The same was substantiated by the borrower vide copy of CA certificate dated January 10, 2012. Upon verification of the CA certificate, we have observed that Rs. 29.63 crores have been introduced by the borrower in the form of share application money and not as equity contribution. It has been observed that such share application money was routed by borrower through borrowed funds and was subsequently written off by the borrower. PFS while disbursement has considered receipt of share application money in compliance with PDC and has made disbursement in the account. The above issue was also highlighted by forensic auditor in his report dated 21 May 2019, as below:	- Stated observation does not fall within the scope/review period agreed as per EL between PFS and forensic auditor - The disbursements have been made based on the LCN issued by the lead bank and lead bank has reviewed the compliance of PDC including the equity infusion. - The share application money continued to get reflected in the subsequent CA certificates obtained by PFS as part of subsequent disbursements - No financial impact on accounts of PFS. - No indication of suspected fraud in instant observation made by forensic auditor.
B.	<u>Disbursement done in spite of account classified NPA with another lender and possible evergreening</u> Basis the lead bank (Bank of Baroda) disbursement advice dated 25 August 2015, disbursement amounting to Rs 2.11 crores was proposed to be made by the consortium. PFS share in this disbursement was determined to be Rs 1.0 crore. However, the account had turned NPA with Bank of India, and hence no disbursement was proposed to be made by them as the account was NPA in its books. PFS has proceeded with the disbursement on 07 September 2015 amounting to Rs 1.00 crore though it was having knowledge of the fact that account had turned nonperforming. The subsequent disbursement dine to Borrower despite the account being in overdue position with other banks/ PFS which the Borrower may utilize	- Stated observation does not fall within the scope/review period agreed as per EL between PFS and forensic auditor - The loan disbursed were within the agreed sanction limit and no top up/additional loan was provided to borrower to clear outstanding dues and may not be considered as possible evergreening - Post declaration of NPA by one of the consortium lenders (BOI), further disbursements were made by PFS alongwith lead banker (BOB).

Sr. No.	CNK Observations- [redacted]	EY Remarks
	to regularize its overdue position leading to possible evergreening. Relevant extract of the Lead bank advise is as below: It has also been observed that there were overdue of Rs 2.34 crores in the account at the time of above disbursement, indicating that such disbursement may have been utilised to clear the existing overdue position. This information pertaining to such disbursements has never been informed to the Board. Relevant extract of the disbursement note is as below:	- At the time of disbursement by PFS, borrower was not NPA in PFS's books and the disbursement was done in line with the LCN received from lead bank - Further, PFS declared Fraud in the account and intimated RBI of the same fact on 08th Sept 2020 and the same was informed to Board in its meeting dated 29th Oct 2020 - No financial impact on accounts of PFS. - No indication of suspected fraud in instant observation made by forensic auditor.
C.	Disbursement done despite slow progress (based on false site visit reports) PFS has in its disbursement note dated 28th July 2014 stated that an amount of Rs 50 lakhs is being proposed basis the below critical points for consideration: 1. The project is delayed by 2 year and the revised COD is 31st January 2015. Furthermore, delay is expected by 8-10 months. The delay in the project commissioning is mainly on account of delay in first disbursement by PNB and thereafter delay in supply of material due to delay in opening of LC. 2. Lead bank had appointed Lenders Engineer (LE) for monitoring of project by consortium, however it has been observed by consortium that LE is not submitting its report to banks as per timeline agreed. The note further stated that PFS has done independent assessment of project before proposed disbursement. CNK observations on the above are as under: a) The site visit report does not mention the details of personnel who have performed the site	- Stated observation does not fall within the scope/review period agreed as per EL between PFS and forensic auditor - The site visit was voluntarily carried out as a matter of abundant precaution since existing LIE appointed by lead banker was not doing the site visit since last one year (last site visit conducted by LIE in Aug 2013) - Site visits reports were not signed and stamped and no name was mentioned as to who conducted site visit from PFS. However, there are evidences (emails and flight tickets) to substantiate the site visit by PFS representatives - The disbursement was made on the basis of LCN issued by lead bank (BOB) in line with consortium spirit and approved by then MD&CEO as per the Board approved Delegation of Power

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Sr. No.	CNK Observations- Kohinoor Power Pvt Ltd	EY Remarks
	visit; b) The site visit report is nether stamped nor signed by the authorised personnel's; c) There was undue haste in disbursement of the funds without obtaining newly appointed Lenders Engineer report for monitoring project progress. The above observations imply that the site visit report was falsely presented, and disbursement was wrongly done basis the above site visit report The matter pertaining to delayed progress have also been discussed subsequently in the 35th Audit Committee meeting dated 09 November 2015, relevant extract of minutes reproduced as below: "It was informed that the project is under financial distress since last 10-12 months, there is no substantial work at site in last 10-12 months. The company is not able to raise the required equity to mobilize the resources. Further, [redacted] vide Letter no. ID/CPP/PI/358, Dated 21 May 2015 has issued legal notice to the borrower for not making payments to them, and has put a hold on project execution on 14.05.2015. Subsequently due to non- release of payments, BHEL has started the arbitration proceedings. The Committee stated that as the project is under financial distress. PFS appraisal could not identify the risk area which had been identified by another lender and decided not to disburse. The Committee was informed that before sanction, PFS team had enquired with one of the co-lender at that point of time, for reason for not disbursing of loan and accordingly PFS addressed its concern arose after discussion with co- lender in the proposal placed for sanction. The Committee desired that a report may be put up to the Committee in respect of comparison of original cost and cost overrun of the project and validity of the assumptions taken at the time of sanction of project and present status of the project." Subsequently the account has been reported as Fraud by PFS with RBI and the same was	- No financial impact on accounts of PFS. - No indication of suspected fraud in instant observation made by forensic auditor.

Sr. No.	CNK Observations-[redacted]	EY Remarks
	informed to the Board in its 129th Board Meeting dated 29 October 2020.	
D.	<u>Disbursement done for clearing of overdues</u> The disbursement note dated 28 July 2014 (as referred to in point 3 above) has mentioned and authorised the below BOB escrow account details for disbursement of the funds. However, in the subsequent disbursement advise as received from Lead Bank (BOB) it has been brought to notice that the above disbursement amounting to Rs 50 lakhs was conducted to an account other that the designated Escrow account of the borrower which is contrary to the principles of consortium lending and has strongly advised PFS to avoid such practices in future. The relevant extract of the letter is reproduced below: Upon verification of email as stated above and the response of the company to the same, it has been observed that the disbursement of Rs. 50 lakhs were adjusted by PFS against its own interest overdues as per clause 3.2 of the facility agreement dated 31 March 2011. The Company has also obtained confirmation from the borrower prior to disbursement for adjustment of such overdues against its interest. Though this email should have originated from the official email server of the borrower, surprisingly. such confirmations emails were not from the official email ids of the borrower, but from Hotmail domain. There have also been subsequent instances wherein the disbursement amounts have been adjusted against interest dues of the borrower. □ The key findings of the Forensic Audit report as issued [redacted] as per which there were serious irregularities in the conduct of the borrower, which have not been into cognisance by PFS. (Also refer Exhibit IVB)	- Stated observation does not fall within the scope/review period agreed as per EL between PFS and forensic auditor - Disbursement against IDC is as per the Board approved financing plan and the IDC has not exceeded the capping limit in the instant loan account. - Recovery of IDC through disbursement can't be termed as ever greening as it is within original approved sanctioned limit. - No financial impact on accounts of PFS. - No indication of suspected fraud in instant observation made by forensic auditor.
	<u>CNK Conclusion:</u> Based on the above observations, our conclusion in the matter is as under:	

Sr. No.	CNK Observations- [redacted]	EY Remarks
	1. The disbursements were made basis CA certificate of equity infusion without exercising appropriate review and monitoring mechanism, such equity infusion in the account has been subsequently written off by the borrower; 2. The false site visit report has been presented in order to facilitate the disbursement; 3. Disbursements are made despite borrower being classified as NPA with other banks and funds have also been disbursed for adjustment of PFS's own interest overdues. 4. Also refer CNK comments on Evergreening below matrix showing loan accounts and observation on page 5-6 of this report.	

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V. [redacted]

Sr. No.	CNK Observations - [redacted]	EY Remarks
A.	<u>Possible evergreening of the loan account:</u> Although the relevant authorities approving the disbursement were aware regarding pending compliance of pre-disbursement condition (disbursing more than 90%), the disbursement was duly approved and made to the borrower, the same can be evidenced from the below extract of the disbursement note dated December 31, 2019: "A Meeting was conducted between Officials of PFS Disbursement unit and PFS Monitoring unit to discuss the matter and it was decided to consider borrower's request for Disbursement. In View of the same, instant Request is being considered for payment, pending compliance of pre-Disbursement conditions viz. Payment of PFS overdue, approval of Tariff, pending execution of NREDCAP lease deed with Danu wind, creation of DSRA etc. Accordingly, PFS may disburse Rs. 9.09 crores to the Borrower." It is also to be noted that at the time of said disbursement there were over dues in the borrower account and its group account. Such disbursement as at (quarter end i.e, 31 December 2019) may have been used by Borrower for clearing of critical overdues in the account. The same has also been highlighted by Internal Auditors in their report for quarter 4 of financial year 2019-2020 (Refer Exhibit VA).	- Loan disbursed is within the original sanctioned limit which may not be considered as evergreening. - Proceeds from disbursement were utilised for creation of DSRA and adjust WC margin. - No financial impact on accounts of PFS. - No indication of suspected fraud in instant observation made by forensic auditor.

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<table>
<tr><th>Sr. No.</th><th>CNK Observations - [redacted]</th><th>EY Remarks</th></tr>
<tr><td>B.</td><td><u>Extension of availability period:</u>

The proposal for extending the availability period has been approved Vide File no. PFS/DWPPL/DD0706002/Monitoring/02 date 12th December 2019 when the account was under overdue position.

This is important and critical, as changes and modifications regarding “validity period / availability period” have been made vide note which was initiated by credit monitoring team and approved by MD&CE. This has resulted in additional disbursements (out of the undisbursed portion of the sanctioned facility) in the loan account during the month of December 2019, the proceeds of which were utilized to clear the “critical overdue positions” by the borrower.</td><td>- Stated observation does not fall within the scope agreed as per EL between PFS and forensic auditor
- Modification i.e. extension of availability period is in line with board directions.
- No financial impact on accounts of PFS.
- No indication of suspected fraud in instant observation made by forensic auditor.</td></tr>
<tr><td>C.</td><td><u>Non-Compliance of critical pre disbursement conditions:</u>

Disbursements dated 31st December 2019 has been made to the borrower pending compliance of critical pre-disbursement conditions as stated below:

<table><tr><th>S.No</th><th>Conditions for disbursement beyond 90% of the facility</th></tr><tr><td>1.</td><td>The Borrower shall have created all the Securities in terms of the Clause 3.1A of this Agreement</td></tr></table></td><td>- Stated observation does not fall within the scope agreed as per EL between PFS and forensic auditor
- The disbursement note, dated 31st December 2019, indicated that Security was partially complied at the time of disbursement and that PFS did not extend the time line for pending security.
- Borrower had executed PPA for entire capacity of 25.3 MW at the time of availing disbursement
- PPA for 2.3 MW was not approved by APERC post COD, hence this condition is post disbursement rather than PDC.
- No financial impact on accounts of PFS.
- No indication of suspected fraud in instant observation made by forensic auditor</td></tr>
</table>

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<table>
<tr><th>Sr. No.</th><th>CNK Observations - [redacted]</th><th>EY Remarks</th></tr>
<tr><td></td><td>
<table>
<tr><td>2.</td><td>The Borrower shall have entered into a Long term PPA for 100% (one hundred percent) sale of power generated from the Project with the state utility at a minimum sale rate of Rs 4.84/unit, to the satisfaction of the Lender. If the PPA is signed at tariff lower than Rs. 4.84/un it, the Lender shall have the right to stipulate additional conditions, including but not limited to decrease in Debt-to-Equity Ratio, as deemed fit by the</td></tr>
<tr><td>3.</td><td>The borrower shall have created DSRA 1 quarter in the terms of this agreement</td></tr>
</table>
The borrower had entered into power purchase agreement (on 31st October 2016) with [redacted]sh Limited for 23 MW.
As per the sanction terms the project was sanctioned for development, construction and operation of 25.3 MW Wind Based Power Project in Andhra Pradesh. However, the sanction letter (dated 08 December 2016) had specifically stipulated that the disbursement beyond 90%, would be upon borrower having entered into long term PPA for 100% (i.e. 25.3 MW) sale of power generated from the project with the state utility at a minimum sale rate of Rs. 4.84/unit, to the satisfaction of PFS.
However, as per the disbursement note the tariff approval for 2.3 MW sale of power generated from the project was pending approval from [redacted].
We have observed that 100% disbursement was made despite being aware of the fact that tariff approval was pending and that all the securities as per clause 3.IA of the agreement were only
</td><td></td></tr>
</table>

Sr. No.	CNK Observations - [redacted]	EY Remarks
	partially complied. These compliances were stipulated prior to 90% of the disbursement and extension of timelines by management for compliance of such security compliance defeated the purpose of stipulating the conditions in the sanction note.	
	CNK Conclusion: Based on the above observations, our conclusion in the matter is as under: 1. Possible evergreening of the account due to disbursements being made despite overdues in the account by extension of availability period, such disbursement could have been used by borrower to clear the critical overdue positions; 2. Disbursement is made pending compliances of critical pre disbursement conditions like execution of PPA for the entire sanctioned capacity of the project. 3. Also refer CNK comments on Evergreening below matrix showing loan accounts and observation on page 5-6 of this report	

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VI. [redacted]

Sr. No.	CNK Observations - [redacted]	EY Remarks
A.	<u>Disproportionate disbursement of funds:</u> PFS had sanctioned Rs 196 crores for 40MW solar power project against the project cost of Rs 272 crores in the debt equity ratio of 72: 28. However as per Lenders Independent Engineers (LIE) Due Diligence Report for November 2018 it was highlighted that overall physical progress along with installed plant capacity were 75% and 50% respectively. It is also expected that the project would be completed in Dec 2018. It is observed that PFS has restricted the disbursement to Rs 162 crores vide its disbursement note no. DV0705001/03 dated 28th February 2019 wherein a disbursement of Rs 10.67 crores was approved despite knowing the fact that the installed capacity of the project is only 50% achieved. The matters highlighted by LE regarding project completion in its report for November 2018 has been overlooked by PFS in its disbursement dated 28 February 2019. Had the terms of original sanction been followed, the actual disbursement should have been restricted as under: Particulars | Original Capacity (as per original | 40 MW Original sanction amount (Rs.) | 196 crores Installed Capacity | 50%	- Stated observation does not fall within the scope/review period agreed as per EL between PFS and forensic auditor - Aggregate disbursement is within the debt equity ratio based on the actual project expenditure incurred and the said calculation is based on the invoices of module supply contract and BOP contract and other soft cost expenditure as per the CA certificate. - No stress has been observed in the account at the time of disbursement - PFS had also received the End-use certificate from the Borrower showing utilization of the PFS' debt. - No financial impact on accounts of PFS. - No indication of suspected fraud in instant observation made by forensic auditor.

<table>
<tr><th>Sr. No.</th><th>CNK Observations - [redacted]</th><th>EY Remarks</th></tr>
<tr><td></td><td>
<table>
<tr><td>Proportionate sanction amount basis installed capacity (Rs.)</td><td>98 Crores</td></tr>
<tr><td>Actual disbursement done (Rs.)</td><td>162 Crores</td></tr>
<tr><td>Excess disbursement (Rs.)</td><td>64 Crores</td></tr>
</table>
Further, basis the documents produced before us, we have not been able to verify the supporting and basis of the documents of the amount mentioned by the management in its response.
</td><td></td></tr>
<tr><td>B.</td><td>
<u>Disbursements done pending security creation:</u>

An amount of Rs. 10.67 crores have been disbursed on February 28, 2019. The status for compliance of the following were, however, not available:
<table>
<tr><th>SNo</th><th>Security</th></tr>
<tr><td>1.</td><td>Mortgage and exclusive charge on land acquired by Bhutiabahal Energy Pvt Ltd.</td></tr>
</table>
</td><td>
- The timeline for the security (mortgage and assignment) was extended till 31 May 2019 and PFS has disbursed within the timeline available (last disbursement by PFS was on 28 Feb 2019).
- No financial impact on accounts of PFS.
- No indication of suspected fraud in instant observation made by forensic auditor.
</td></tr>
</table>

Sr. No.	CNK Observations - [redacted]	EY Remarks
	2. Assignment by way of Security Interest/ charge on all the rights, title, interest, benefits claims and demands whatsoever of the borrower in: a) the Project Documents, b) clearances related to the project, c) in any other LC/guarantee etc., d) Insurance proceeds. As per original sanction the timeline for above security creation was available till six months from initial drawdown. The initial drawdown was approved on 26 March 2018. Basis the initial sanction condition the time limit for compliance was available up to September 2018. The above compliance was further extended to 31 May 2019 vide internal note dated 18 December 2018. Though the timelines for security creation were extended, PFS had already disbursed funds amounting to Rs 162 crores pending critical security creation on 28 February 2019. This has resulted in imperfect security creation at the time of disbursement.	
C.	<u>Weak monitoring controls (Incomplete information in UDIN):</u> From the records produced before us, borrower has submitted Chartered Accountants (CA) certificate dated 08 May 2019 to PFS wherein the CA has duly certified the expenditure incurred and promoters' contribution towards the company. (The extract of the certificate is as given below)	- As per the expenditure certificate, the total amount of expenditure matches with details in UDIN and promoters contribution is also part of the sources of funds for capex purposes. - There is no process in place to reconcile details as per CA certificate with UDIN portal. - No financial impact on accounts of PFS. - No indication of suspected fraud in instant observation made by forensic auditor.

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Sr. No.	CNK Observations - [redacted]	EY Remarks
	Upon verification of the UDIN on ICAI portal it was seen that the amount entered on UDIN portal was only towards expenditure incurred, however the amount of contribution by promoters has not been entered in UDIN creation. This is not in line with the certificate provided by the Chartered Accountant as in his certificate he has certified the expenditure incurred as well as promoters' equity infusion in the borrower company. The above discrepancy in the certificate as issued by CA and the details of the certificate as available on UDIN portal, reflects a gap in the monitoring mechanism of the Company as the same reflects on the authenticity of the certificate obtained.	
	CNK Conclusion: Based on the above observations, our conclusion in the matter is as under: 1. Compared to the plant's installed capacity and overall physical progress, excessive funds amounting to Rs 64 crores have been disbursed; 2. Disbursement made despite pending security creation for the facility; 3. Weak monitoring controls of PFS on CA certificates provided by the borrower regarding expenditure incurred and the equity infusion by the promoters.	

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VII. [redacted]

Sr. No.	CNK Observations - [redacted]	EY Remarks
A	<u>Disbursements done for clearing of overdue positions:</u> Although the borrower was not having any significant improvement in Physical and financial progress, funds were continuously being released for adjustment against the overdue as given in below table. As can be seen below and also as mentioned in the disbursement notes the disbursements are done for the purpose of clearing of interest overdues in the borrower account. Such disbursement has also led to clearing of critical overdue positions of the borrower. PFS has also disbursed such amounts without ascertaining the compliance of pre disbursements conditions prior to each disbursement. The same has also been mentioned in the disbursements note as below: "As per the delegation of power MD & CEO is authorised to approve disbursement pending compliance of pre disbursement conditions. In the absence of LCN the status of PDC could not be ascertained viz., CA certificate, borrowers certificate including confirmation regarding clearances and approvals and financial covenants, status of technical and economic clearance by central electricity authority, environment management plan, execution of PPA for at least 50% power etc." The borrower was subsequently classified as NPA in 31st March 2018 there is also a write off subsequent to OTS in the account.	- Stated observation does not fall within the scope/review period agreed as per EL between PFS and forensic auditor - Recovery of IDC through disbursement may not be considered as evergreening since PFS has not recovered the dues by sanctioning and disbursing another loan to Borrower and is within Sanctioned limit. - No financial impact on accounts of PFS. - No indication of suspected fraud in instant observation made by forensic auditor. -

Sr. No.	CNK Observations - [redacted]	EY Remarks
	<u>CNK Conclusion:</u> Based on above observation, our conclusion in the matter is as under: 1. Disbursements have been made to clear the overdue positions of the borrower with company. The account has subsequently turned NPA as on 31 March 2018 and written off in FY 2020-21; 2. Disbursements for purpose of clearing of interest overdues and approval of the same by the management reflects on the inherent credit risk of the borrower and also misuse of authority by the management. This amounts to disbursement for the purpose of evergreening of the loan account; Also refer CNK comments on Evergreening below matrix showing loan accounts and observation on page 5-6 of this report 3. Disbursements made without receipt of LCN from the lead bank [redacted]; 4. In respect to the disbursements approved vide date 29th June 2016 and 26th September 2016 we are unable to ascertain whether the disbursement was done in TRA accounts of the Borrower; 5. Compliance of pre-disbursement conditions for the above disbursement are not verified by Company.	

EY

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VIII. [redacted]

Sr. No.	CNK Observations [redacted] Ltd.	EY Remarks
A.	<u>Extension of Timelines for commitment and draw down conditions:</u> As per clause 6. Conditions precedent to commitment and drawdown of the facility agreement dated 30th March 2011 following conditions were required to be complied prior to commitment and disbursement The company has made several disbursements from 27th September 2011 to 18th June 2015 amounting to Rs. 173.64 Crores. The above pre-commitment and pre-drawdown conditions have been extended by the company along with the lead bank on a recurring basis and pending compliance disbursements have been made. The company has disbursed 86.50% of the total sanctioned amount upto 18th June 2015 without complying the above conditions stipulated as per the facility agreement. Below are the extracts of internal note for approval of timeline extensions of the following pre-commitment and pre-drawdown conditions:	- Stated observation does not fall within the scope/review period agreed as per EL between PFS and forensic auditor - The amendments have been made as per approved DOP by PFS board. - These approved amendments have been informed to the Board in its quarterly meetings. - No financial impact on accounts of PFS. - No indication of suspected fraud in instant observation made by forensic auditor.

Sr. No.	CNK Observations - [redacted] Ltd.	EY Remarks
B.	<u>Disbursement without obtaining Lead Bank Confirmation Note (LCN) and pending compliance of Pre-Disbursement conditions:</u> An additional loan of Rs. 51 crores was sanctioned for cost overrun to [redacted]. vide 76th board meeting on 16th March 2016. As per disbursement note No. DA06010002/01 dated 19th October 2016 an amount of Rs. 15.30 crores was approved for disbursement pending compliance of pre-disbursement conditions and without any intimation from the lead bank for disbursing such amount. The above disbursement has been made by the company for the below purpose: i) Adjustment towards interest overdues. ii) Disbursement in TRA account towards TDS to be paid by Borrower. iii) Disbursement in TRA account towards interest for delay in payment of TDS. iv) Disbursement in TRA account towards Corpus fund for critical payments. In our view, the company should have received the disbursement instructions from the lead bank in from of LCN. However, the company has Suo-moto disbursed the above funds to the borrower	- Stated observation does not fall within the scope/review period agreed as per EL between PFS and forensic auditor - Disbursement against IDC is as per the Board approved financing plan and the IDC has not exceeded the capping limit in the instant loan account - Lead Bank vide email dated 04 Oct 2016 has communicated that Lenders shall disburse funds for functioning corpus fund as per sharing decided by Lead Bank. Corpus fund amount has been fixed by SBI and circulated to all the lenders. Accordingly, lead bank has requested entire consortium to disburse the amount in the corpus fund in which PFS share was finalized. - No financial impact on accounts of PFS. - No indication of suspected fraud in instant observation made by forensic auditor

Sr. No.	CNK Observations - [redacted] Ltd.	EY Remarks
C.	<u>Disbursement without complying the security creation condition</u> As per disbursement note No. DA06010002/01 dated 19th October 2016 an amount of Rs. 15.30 crores has been approved for disbursement, inspite of the fact that as per amended PFS sanction, Corporate Guarantee and undertaking are exclusive securities against PFS loan, the same have been issued in favour of all lenders of consortium. The same has also been highlighted by the Company secretary in the security status report dated 18th October 2016. However, company has provided for disbursement without taking cognisance of the below anomaly in security creation	- Stated observation does not fall within the scope/review period agreed as per EL between PFS and forensic auditor - The loan agreement for the cost overrun did not have a provision of Corporate Guarantee. - The security confirmation by PFS is for original facility not for overrun facility. - No financial impact on accounts of PFS. - No indication of suspected fraud in instant observation made by forensic auditor
	<u>CNK Conclusion:</u> Based on the above observations, our conclusion in the matter is as under: 1. Disbursements has been approved to the borrower by frequently extending the timelines for complying certain pre-commitment and pre-disbursement conditions for drawdowns; 2. Disbursements were made in account on 'suo-motto basis' without the receipt of instructions in form of LCN from the lead bank.	

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IX. [redacted]

<table>
<tr><th>Sr. No.</th><th>CNK Observations - [redacted].</th><th>EY Remarks</th></tr>
<tr><td>A.</td><td>
<u>Disbursements done for clearing of overdue positions</u>

Although the borrower was not having any significant physical progress of the project, funds were continuously being released for adjustment against the Interest overdue as follows.

Following are the disbursement wise details:

Amount in Rs.

<table>
<tr><th>Disbursement Details</th><th>Overdue</th><th>Overd</th><th>Disbursed</th></tr>
<tr><td rowspan="4">Disbursement Note (30.04.2019)</td><td>01.02.2019</td><td>1,59,68,450</td><td></td></tr>
<tr><td>01.03.2019</td><td>1,48,13,055</td><td></td></tr>
<tr><td>01.04.2019</td><td>1,67,11,576</td><td></td></tr>
<tr><td>Total</td><td>4,74,93,081</td><td>4,80,72,439</td></tr>
<tr><td rowspan="5">Disbursement Note (30.07.2019)</td><td>01.05.2019</td><td>1,58,86,298</td><td></td></tr>
<tr><td>01.06.2019</td><td>1,87,99,460</td><td></td></tr>
<tr><td>01.07.2019</td><td>1,83,41,688</td><td></td></tr>
<tr><td>01.08.2019</td><td>1,91,38,318.0</td><td></td></tr>
<tr><td>Total</td><td>7,21,65,764</td><td>7,21,65,764</td></tr>
<tr><td rowspan="5">Disbursement Note (29.11.2019)</td><td>01.09.2019</td><td>1,94,09,632</td><td></td></tr>
<tr><td>01.10.2019</td><td>1,88,42,674</td><td></td></tr>
<tr><td>01.11.2019</td><td>1,96,73,394</td><td></td></tr>
<tr><td>01.12.2019</td><td>1,92,80,438</td><td></td></tr>
<tr><td>Total</td><td>7,72,06,138</td><td>7,72,06,138</td></tr>
</table>

As can be seen from above, the disbursements made and as confirmed in the respective disbursement notes (as per extracts below), the overdue positions of the borrower are being cleared of basis the subsequent
</td><td>
- Disbursement in the instant case is as per the Board approved financing plan
- IDC has not exceeded the capping limit in the instant loan account
- No financial impact on accounts of PFS.
- No indication of suspected fraud in instant observation made by forensic auditor.
</td></tr>
</table>

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Sr. No.	CNK Observations - [redacted].	EY Remarks
	disbursements. These disbursements are made only to clear the outstanding interest positions of the Company. Further the progress of the project had been stalled since July 2019 due to the inability of the promoters to infuse the funds. The LE has also certified in their report prior to above drawdowns that there should not be any further disbursement of funds in the account as the expenditure projected by the Company is in excess of the progress achieved by the project. Further the company has also incurred expenses towards IDC in excess of the estimated/budget IDC cost. Despite several observations including the overall progress of the project and objection on further disbursements made by the LE in its report, the company has done subsequent disbursements of Rs. 19.75 Crores (as per table above) for adjustments of its own interest overdues. The Company, also, at its own discretion has proceeded with these IDC disbursements inspite of being aware of the fact that the IDC expenditure of the project has already been exceeded. The borrower has been subsequently classified as NPA in May 2020. Given below are the extracts of the disbursements note wherein the IDC cost has exceeded the estimated expenditure: Given below are the extract of the LE certificate observations (complete set of LE observations have been attached as exhibits IXC): LE report dated 26 April 2019: LE report dated 02 July 2019:	
	CNK Conclusion:	

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Sr. No.	CNK Observations - [redacted]	EY Remarks
	Based on the above observations, our conclusion in the matter is as under: 1. Disbursements made, are in excess of the approved IDC, pending compliance of certain disbursement conditions and at the discretion of the Company, despite the fact that the progress of the project was stagnant; 2. Disbursements for purpose of clearing of interest overdues and approval of the same by the management reflects on the inherent credit risk of the borrower and also misuse of authority by the management. This amounts to disbursement for the purpose of evergreening of the loan account; Also refer CNK comments on Evergreening below matrix showing loan accounts and observation on page 5-6 of this report 3. Though the LE had advised against any further disbursements for the project, several disbursements have been done for interest adjustments ignoring the LE advice.	

X. [redacted].

Sr. No.	CNK Observations -[redacted].	EY Remarks
A.	<u>Non creation of charge for Security:</u> As per Clause 14.2 of Facility Agreement dated 30th September 2019 Following Security required to be Created: a) Priority Charge over the project Receivables of the Borrower of the Borrower from the sale of power from the Project to the Extent of Rs 100 CR. b) Priority Charge on the cashflows/repayments from the monetization/sale/disinvestment of the Borrower's asset to the Extent of 100 CR. c) First Charge on Interest Service Reserve Account (ISRA) created by the Borrower for the Entire sanction limit of the Lender. ISRA will be created within a period of 15 days from the disbursement of facility. d) Demand Promissory Note of entire loan amount in favour of the Lender, which when invoked, the borrower shall make the payment of the entire outstanding dues of the Lender within 30 days of such invocation of the DPN. It is further to be noted that as per Facility Agreement 11.1 Security dated 30th September 2019, the Borrower shall have furnished evidence of creation of the Security including Filing of CHG-1 with the concerned Registrar of Companies upon creation of security. Upon verification of loan documents and ROC portal we have not found the documents for charge creation and filing of the same with ROC.	- Stated observation does not fall within the scope agreed as per EL between PFS and forensic auditor - Charge could not be created as consortium decided to review fund position of PEL. Also, consortium advised PFS to grant extension for creation of charged till March 2020. - The non-creation of security was also reported to PFS' RMC and Board on regular basis. - No financial impact on accounts of PFS. - No indication of suspected fraud in instant observation made by forensic auditor.

EY

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Sr. No.	CNK Observations - [redacted]	EY Remarks
	Given below is the ROC portal screenshot for filing of charge wherein PFS charge cannot be validated. Irrespective of the fact that the loan account has been repaid by the borrower, the disbursement has been made in the account pending security creation.	
B.	<u>Rate of Interest not as per the policy of the Company:</u> As per the policy on working capital demand loan Clause 8 the rate of interest to be charged on such loans shall be at least 200 bps higher than the applicable rate of interest on the term debt facility. As per policy PFS Benchmark rate the spread on term debt facilities is determined as per borrowers' internal credit ratings. The internal credit rating for the borrower in current scenario was determined at OR5. Thus, the ROI on term debt facility for OR5 rated borrowers as per policy is PFSBR plus 1% (spread). Basis the above the rate for such working capital loan sanctioned to borrower should have been at least PFSBR+1%+2%. However, the actual rate charged to the borrower for the Working Loan as per the sanction letter is P FSBR+1.5% only (as against PFSBR+3%). The above rate charged is less than the rate chargeable as per PFS approved policy.	- Stated observation is factually incorrect as the rate of interest of the facility and spread applicable was in compliance with PFS' Policy of Working Capital Demand Loan (WCDL). - As informed by PFS team, PFS has not provided WCDL to any other related party or third party till date. - No financial impact on accounts of PFS. - No indication of suspected fraud in instant observation made by forensic auditor.
	<u>CNK Conclusion:</u> Based on the above observation, our conclusion in the matter is as under:	

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Sr. No.	CNK Observations - [redacted]	EY Remarks
	1. Security perfection has not taken place despite several extensions granted for security creation; 2. Rate of interest charged to the borrower is not as per the policy.	

EY

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XI. [redacted]

Sr. No.	CNK Observations [redacted]	EY Remarks
A.	<u>Possible evergreening by disbursals in overdue account</u> Company has disbursed Rs 6.17 crores as per its disbursement note dated 23rd September 2014. The disbursement was done despite critical overdues in the account amounting to Rs 7.07 crores. Further for the purpose of this disbursement the following critical PDC were relaxed in line with lead bank: - Debt Equity ratio - Tie up of Debt and Equity - Coal supply arrangement Power Purchase and power evacuation agreement (compliance timeline extended by 6 months). Subsequently there have been further disbursement vide disbursement note dated 23rd February 2015 for Rs.3.37 crores basis the LCN received from Lead Bank. At the time of such disbursement the account was still in overdue condition for Rs.4.38 crores. The overdues amounting to Rs 3.77 crores were proposed to be adjusted against the said disbursement. Such adjustment may have resulted into clearance of critical overdue positions of the borrower. It is also important to note that the following critical PDC were relaxed only for the purpose of above disbursement: - Debt Equity ratio	- Stated observation does not fall within the scope/review period agreed as per EL between PFS and forensic auditor - Loan disbursed is within the original sanctioned limit which may not be considered as evergreening. - The disbursements are in line with the LCN issued by Lead bank [redacted] - The relaxations in PDC were in line with DOP approved by board. - No financial impact on accounts of PFS. - No indication of suspected fraud in instant observation made by forensic auditor.

Sr. No.	CNK Observations - [redacted]	EY Remarks
	- Tie up of Debt and Equity The fraud was identified in the borrower account subsequently and the account has been written off to the extent of 99% of the disbursed amount. Given below are the extracts of the minutes of 119th Board Meeting and 59th Audit Committee dated 23 October 2019: "The Board was informed that PFS has sanctioned term debt of Rs 120cr (subsequently reduce to Rs 115cr) and disbursed Rs 96.06cr (current principal o/s in the account is Rs 96.06cr) to [redacted] for development of 420MW (2X210) imported coal based thermal power plant in Vadlur village, raichur district Karnataka." The Board was further informed that during the CIRP period, [redacted], Chartered Accountants were appointed to carry out transaction audit for the period FY 2016-2018 in terms of the provisions of IBC 2016 and the auditor were also required to carry out forensic audit for FY 2009-10 to FY 2017-2018. the forensic audit report, inter alia, contained observations such as possible overstatement of value of 35MW power plant (exclusively charged to [redacted]) source of capital infused was not out of [redacted] own source, manipulation in award of EPC contracts, diversion of fund through acceptance of third-party liability and manipulation disconnect in operational results. "	
	<u>CNK Conclusion:</u>	

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Sr. No.	CNK Observations - [redacted].	EY Remarks
	Based on the above observation, our conclusion in the matter is as under: 1. Disbursement of funds have been made to clear PFS critical overdue positions by relaxing crucial pre disbursement condition; 2. No red flags noticed during disbursement indicating weak monitoring of the account; 3. Almost the entire amount disbursed has been written off since the amount was declared fraud. 4. Also refer CNK comments on Evergreening below matrix showing loan accounts and observation on page 5-6 of this report	

EY

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XII. [redacted]

Sr. No.	CNK Observations - [redacted]	EY Remarks
A	Curtailment of CRO Powers As per the terms of sanction the project was proposed to be for 54.95 kms which has been proposed to be descoped by 13.22 kms basis NHAI approval dated 25th January 2021 vide PFS letter FS[redacted]/DD1214001/Monitoring/2021-22 dated 28th December 2021. Basis the above modification letter the project was descoped and accordingly project cost was reduced from Rs 1107.36 crores to Rs 803.35 crores. Because of cost reduction and project descoping the term loan of the consortium was reduced from Rs. 471.90 crores to Rs. 336.34 crores of which PFS share was determined at Rs 181.41 crores. As per mechanism for interface between appraisal team and monitoring team with risk team dated 21st November 2016, any change or modification in scope of project affecting the revenue stream required reassessment of the project by the risk team. However, the above requirement was curtailed vide office order number 16/2021 dated 06th October 2021. Such order was issued by HR Head [redacted] basis approval of MD & CEO. Citing the above office order, the proposal for descoping was not submitted to risk team for their vetting and reassessment by stating the below rationale in the approval note: "As per the erstwhile interface mechanism of risk and monitoring team dated November 21, 2016 the instant proposal should be moved through Risk department as the same involves change in scope of the project. However subsequent to the office order no. 16/2021 dated October 6, 2021 all earlier	- Stated observation does not fall within the scope agreed as per EL between PFS and forensic auditor - In May 2019, RBI rolled out a circular defining the roles and responsibilities of CRO - In line with above circular, PFS appointed CRO post approval from the board in June 2019 for a period of 2 years and the said appointment was again approved in board meeting in June 2021. - The amendment in the loan account for reduction in project cost and reduction in debt was done by the consortium on account of directive issued by National Highway Authority of India (NHAI) for de scoping (reduction in project length). - CRO role defined as per RBI circular and approved by the Board, does not include the review of this amendment - Modification in instant case was not required to be recommended (as per defined roles and responsibilities) by CRO which is evident from CRO's email dated 03 Nov 2021. - Share of PFS Disbursement was more than 50% at the time of down-selling. - The share of PFS was already capped at the disbursed amount of Rs. 181.41 crs and no further disbursement was done in the instant loan account. - No financial impact on accounts of PFS. - No indication of suspected fraud in instant observation made by forensic auditor.

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Sr. No.	CNK Observations - [redacted]	EY Remarks
	orders, circulars and directions issued relating to roles and responsibilities of CRO gets superseded. Further, CRO has apprised that vide email dated Nov 31, 2021 (in case of security extension approval in another project) that his recommendation is not required for seeking approval from competent authority. As per the operational policy of PFS, MD & CEO is authorized to approve the modification in terms and condition of sanction." However, vide office order No. 16/2021 dated October 6, 2021 new roles and responsibilities which doesn't cover the review of proposal for change in scope of the project have been assigned to the CRO on approval of Managing Director suspending all the role and responsibilities assigned vide earlier Orders, Circulars and directions. Basis of above office note an approval for amendments in terms and conditions pertaining to the approval for descoping the project, extension of SPCD have been approved by Managing Director without passing through risk department Vide File no. PFS[redacted]D1214001/Monitoring dated December 27, 2021." However, the above modification has been executed without obtaining approval of the CRO citing the office order copy no 16/2021 dated 06th October 2021. Such order was issued by HR Head[redacted] basis approval of MD & CEO. Such order absolved CRO from commenting on the modification of loan related to scoping of the project. Though the company had appointed a CRO in line with RBI circular, the earlier powers to the CRO curtailed and the proposal for de-scoping which led to amendment in original project cost was not submitted to CRO for re-assessment by the risk team. Due to such de-scoping the sanction of the project was restricted to Rs. 181.41 Crores. However, PFS debt was not reduced by an equivalent proportion as	

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<table>
<tr><th>Sr. No.</th><th>CNK Observations - [redacted]</th><th>EY Remarks</th></tr>
<tr><td></td><td>compared to the reduction in original means of finance. The below table highlights the disproportionate funding wherein PFS share was determined at Rs 181.41 crores instead of 171.14 crores.

<table>
<tr><th>Means of finance</th><th>Original Cost (Rs Cr)</th><th>Revised cost after de-scoping (Rs Cr)</th><th>Ideal revived cost after de-scoping (Rs Cr)</th></tr>
<tr><td>NHAI</td><td>118.00</td><td>84.10</td><td>85.59</td></tr>
<tr><td>Promoter</td><td>517.70</td><td>382.91</td><td>375.49</td></tr>
<tr><td>PFS debt</td><td>235.95</td><td>181.41</td><td>171.14</td></tr>
<tr><td>Lead FI debt</td><td>235.95</td><td>154.93</td><td>171.14</td></tr>
<tr><td>Total</td><td>1105.60</td><td>803.35</td><td>803.35</td></tr>
</table></td><td></td></tr>
<tr><td></td><td><u>CNK Conclusion:</u>
Based on the above observation, our conclusion in the matter is as under:
1. De-scoping of the project was not submitted to risk team for re-assessment of risk.
2. Disproportionate reduction in original sanction due to reduction in project cost on account of de-scoping</td><td></td></tr>
</table>

EY
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XIII. [redacted]

Sr. No.	CNK Observations - [redacted]	EY Remarks
A.	**Disbursements done for clearing of overdue positions.** It has been observed that the company has disbursed funds to the borrower for clearing of the overdue position amounting to Rs 3.03 crores. Given below are the details of such disbursements: Disbursement Detail / Overdue amount / Disbursed Amount 06-Oct-2021 / 1.53 crores / 1.54 crores 17-Nov-2021 / 1.50 crores / 2.50 crores The overdue position of the borrower are being cleared basis these subsequent disbursements. The overdues amounting to Rs 3.03 crores were proposed to be adjusted against the said disbursements by the Company. Such adjustments may have resulted into clearance of critical overdue positions of the borrower.	- Disbursement against overdues is as per the Board approved financing plan - Disbursement was also done on the basis of LCN issued by Lead FI - Moreover, the loan disbursed were within the agreed sanction limit and no top up/additional loan was provided to borrower to clear outstanding dues and may not be considered as evergreening. - Even, recovery of overdues through disbursement can't be termed as ever greening as it is within original approved sanctioned limit. - No financial impact on accounts of PFS. - No indication of suspected fraud in instant observation made by forensic auditor.
	CNK Conclusion: Based on the above observation, our conclusion in the matter is as under: 1. Possible evergreening of the account due to disbursements being made to clear the overdue positions of the borrower. 2. Also refer CNK comments on Evergreening below matrix showing loan accounts and observation on page 5-6 of this report	

XIV. [redacted]

<table>
<tr><th>Sr. No.</th><th>CNK Observations – [redacted]</th><th>EY Remarks</th></tr>
<tr><td>A.</td><td>
<u>Disbursement done despite slow progress of the project</u>

We have observed that physical progress and the financial progress of the project for the 3rd and 4th disbursement dated 14 November 2018 and 01 February 2019 respectively was stagnant and the same has also been stated in the disbursement note as well. Despite such stagnancy in the project, PFS has proceeded with disbursement to the said project.

Given below is a summary of such disbursements.

<table>
<tr><th>Particulars</th><th>Physical Progress</th><th>Financial Progress</th><th>Disbursed Amount (Cr.)</th><th>IDC (Cr.)</th></tr>
<tr><td>3rd disbursement dated 14-11-2018</td><td>35.82%</td><td>38.79%</td><td>1.12</td><td>6.54</td></tr>
<tr><td>4th disbursement dated 01-02-2019</td><td>35.82%</td><td>38.79%</td><td>1.53</td><td>8.27</td></tr>
</table>

Though the LCN has been received from the Lead bank for such disbursement, it has been observed that the planned physical progress as mentioned in disbursement note was at 60.67% against which only 35.10% of actual progress was achieved at the time of 4th disbursement. However the Company had already disbursed funds amounting to Rs 13.75 crores against the sanction of Rs 30.51 crores despite such slow progress in the project.

The matter pertaining to delayed progress of project had also been highlighted by monitoring unit by stating" last site visit was made in August 2018 by monitoring unit along with lie and other lenders during which non-availability of approx. 18.75 km work front was observed by the lenders".
</td><td>
- Stated observation does not fall within the scope/review period agreed as per EL between PFS and forensic auditor
- Disbursement done on the basis of Lead FI
- During September 2018, LIE also confirmed that COD could be achieved within scheduled date if Concessionaire after taking necessary steps
- Lead Bank also advised PFS to consider disbursement upto 50%. In the instant case the disbursements are falling within the limit of 50% (40.05% post instant disbursements)
- No financial impact on accounts of PFS.
- No indication of suspected fraud in instant observation made by forensic auditor.
</td></tr>
</table>

Sr. No.	CNK Observations [redacted]	EY Remarks
	<u>CNK Conclusion:</u> Based on the above observation, our conclusion in the matter is as under: 1. Disbursement have been done in the account despite under achievement in the progress in the project as per plan.	

XV. [redacted]

Sr. No.	CNK Observations -[redacted]	EY Remarks
A.	<u>Possible Evergreening of the Loan account.</u> The company has made disbursements in loan account to clear the overdues of the borrower with PFS. The Company in its disbursement notes (relevant extracts below) has also mentioned the proposed adjustment of overdues. Given below are the details of disbursements against its corresponding adjustments of overdue positions: **Disbursement Date** / **Disbursement Amount** / **Adjustment of Overdue Amount** 31 March 2015 / 15.26 / 2.63 09 June 2016 / 31.63 / 1.77 27 September 2016 / 2.70 / 2.70 22 February 2017 / 5.51 / 5.51 20 June 2017 / 7.16 / 7.16 It has been observed that above disbursements has been utilized to clear the existing overdue positions in the account and which may have also resulted in possible evergreening of the Loan account especially when such adjustments are carried on year end date i.e., 31 March 2015. Also, the company without the receipt of LCN did the disbursements dated 27 September 2016, 22 February 2017 and 20 June 2017 on suo moto basis from the lead financial institution. Considering the above condition, the borrower shall have executed the PPA for 100% of its capacity, however on verification of the loan documents it was observed that this condition was only partly complied by borrower at the time of initial drawdown amounting to Rs 38.27 crores on 09 November 2011. Borrower achieved the complete compliance to	- Stated observation does not fall within the scope/review period agreed as per EL between PFS and forensic auditor - Disbursement made on 27 September 2016 was made on the basis of borrower request and duly approved by MD&CEO in line with approved DOP - Disbursements made on 22 February 2017 and 20 June 2017 were based on the joint lenders meeting dated 23 January 2017 basis which disbursements could be made for adjustment of overdue IDC. - No financial impact on accounts of PFS. - No indication of suspected fraud in instant observation made by forensic auditor.

EY

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Sr. No.	CNK Observations – [redacted]	EY Remarks
	this condition only on 19 March 2015 wherein it had entered into PPA for balance 40% of capacity.	
B.	Non-compliance of pre-disbursement condition As per para 4.2(XX) of the Common Loan Agreement dated 29th July 2011, between the borrower and the PFS, the below condition was stipulated as a Condition precedent to Initial Drawdown: ***"The Borrower shall have, to the satisfaction of the Lenders, have executed a PPA with the power trading company for the entire capacity of the project or any other state distribution companies acceptable to the lender."*** Considering the above condition, the borrower shall have executed the PPA for 100% of its capacity, however on verification of the loan documents it was observed that this condition was only partly complied by borrower at the time of initial drawdown amounting to Rs 38.27 crores on 09 November 2011. Borrower achieved the complete compliance to this condition only on 19 March 2015 wherein it had entered into PPA for balance 40% of capacity. Pending compliance of such critical pre disbursement condition the company had undertaken initial disbursement.	- Stated observation does not fall within the scope/review period agreed as per EL between PFS and forensic auditor - For the PDC mentioned in the instant observation, timeline extension was available trill 30 November 2011 (basis the LCN issued by Lead lender – [redacted] and duly approved by then CMD in line with approved DOP. Hence the disbursement on 09 November 2011 was within the timeline extension period. - No financial impact on accounts of PFS. - No indication of suspected fraud in instant observation made by forensic auditor.
C.	Disbursement despite diversion of funds by the borrowers PFS has made the first disbursement on 9th November 2011 amounting to Rs. 38.27 crores along with the lead bank to the borrower in the	- Stated observation does not fall within the scope/review period agreed as per EL between PFS and forensic auditor

EY

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Sr. No.	CNK Observations – [redacted]	EY Remarks
	designated TRA account. Upon disbursement of fund the borrower had withdrawn an amount of Rs 18.97 crores from the project TRA without being authorized from the lead lender i.e., [redacted] Despite several opportunities provided to the borrower for bring back the amount so withdrawn from the TRA account; however, the borrower did not bring back the same. Despite such irregularities identified in the account the company had made subsequent disbursement in November 2011. The company had disbursed Rs. 116.07 crores in the account out of Rs 125 crores of the sanctioned limit (i.e. , up to 92% of the sanctioned amount had been disbursed) it is also to be noted the project completion was only 30% as per disbursement note dated 20 June 2017. Further from the review of documents provided, we noticed that other lender had stopped the disbursement in between as LCN not received from lead bank but PFS continued subsequent disbursement at that time. No forensic audit was done by the company for the diversion of funds since as we understand there was no policy at that point in time to get a forensic audit done. As represented by the company, 100% provision was done as directed by the inspection report of RBI	- The initial disbursement was made basis LCN issued by the lead lender (IFCI). - The borrower had withdrawn amount without authorisation from the lead lender (IFCI). - Additional disbursements by PFS were made only after the borrower repaid the entire withdrawn funds and the matter was discussed in the consortium meeting dated on 28th May 2014 - The formal closure letter from Lead FI was issued on 24 June 2014 for closing the matter relating to unauthorised withdrawal of funds by the borrower. - No financial impact on accounts of PFS.
	<u>CNK Conclusion:</u> Based on the above observations, our conclusion in the matter is as under: 1. Possible evergreening of the account due to disbursements being made despite overdues in the account, such disbursement could have been used by borrower to clear the critical overdue positions;	

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Sr. No.	CNK Observations – [redacted]	EY Remarks
	2. Disbursement is made pending compliances of critical pre disbursement conditions like execution of PPA for the entire sanctioned capacity of the project. 3. Possible diversion of funds due to subsequent disbursement post unauthorised withdrawal of funds by borrower from TRA account.	

XVI. EY Remarks on the observations relating to Appointment of [redacted]

- The observations stated by the forensic auditor in relation to appointment of [redacted] cannot be categorised as forensic audit observation as per general understanding. This was a matter raised by the ex-IDs of PFS at the time of their resignation.
- The matter was handled by HR of parent Company of PFS i.e., PTC India Limited
- No financial impact of such observations on PFS
- No indication of suspected fraud in instant observation made by forensic auditor.

XVII. Corporate Governance Issues

Sr. No.	CNK Observations – Corporate Governance Issues	EY Remarks
D	1. Approved policies of the company not followed a. Policy regarding Loan documentation not routed through legal functional head Background • In the 129th Board Meeting dated 29th October 2020 it was discussed at Agenda Item No. 129.10, "On a query regarding the functioning of the legal department, the Board was informed that litigation matters are handled by the Company Secretary and loan documentation is handled by a different officer of the Company. On a further query, it was clarified that the work of the said officer was earlier supervised by the Company Secretary informally; • The Board expressed the view that all matters related to legal may be handled by the Company Secretary, who is also the Head of Legal Department in the Company, and the other officer may have a formal reporting to him. MD&CEO stated that a senior officer was required in the Legal Department, and he would discuss the same with Nominee Director of *PTC* separately." • In our understanding, the definition of the functional head given in the policy of delegation of power approved by the Board is as under:	- According to HR Office order No. 6/2018, Director (Operations) was the functional and administrative head for the legal function. - Further, as per DoP of PFS, M4 level officer i.e. Whole Time Director is the head of the department. Therefore, the functional and administrative heads in PFS are at the level of M4. - This is not a corporate governance issue since [redacted] Director Operations was appointed as Head of Legal at that time. - No financial impact on accounts of PFS. - No indication of suspected fraud in instant observation made by forensic auditor

<table>
<tr><th>Sr. No.</th><th>CNK Observations – Corporate Governance Issues</th><th>EY Remarks</th></tr>
<tr><td></td><td>

1.	Functional Head	Function Head of respective unit responsible for working of unit under the supervision and control of the Head of Department. The Functional Head shall be the senior officer of the unit not less than M 2 level *(in case head of unit is not at M 2 level then Director may designate an officer of not less than G 14 to be the functional head of that unit)*
2.	Head of the Department	Whole-Time Directors
3	MD & CEO	Managing Director & Chief Executive Officer
4	M4	Whole Time Director
5	M3	Officers falling under Grades G 18, G19, G 20 and G 21

- Based on the above, it seems that the functional head is not a Director at xM4 level but below M4 level. Further, being a corporate there is no informal routing of the files to Company Secretary & Head Legal.

<u>**CNK Comments**</u>

- Despite the Board direction as above, legal files do not seem to have been routed through the legal functional head but are approved by MD & CEO. As per DOA, security confirmation is to be given by the functional head (who was Company Secretary

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</table>

Sr. No.	CNK Observations – Corporate Governance Issues	EY Remarks
	& Head Legal in case legal department) but all the disbursements were made without the Confirmation of the security by the legal functional head. Further this is also the violation of Board specific directives as given in 129th Board Meeting. • The Board minutes were very clear that the Board desired that legal files to be routed through the Company Secretary & Head Legal	
	b. <u>Alteration in documents</u> • On 19th February 2021, a draft response to the query raised by the committee of two independent directors of [redacted] was prepared and addressed to [redacted] for her email dated 19th February 2021 where she raised queries and concerns and asked for clarifications. An internal note for the submission of documents to the committee was put up for approval of competent authority by the nodal officer and it should be signed by the legal head of the company. **<u>CNK Comments</u>** • As per the copy of the note provided to us, it seems that the name of company secretary was subsequently removed.	- The internal note was routed through Director (Operation) who was also Legal Head at that point of time before putting up to MD & CEO. - No financial impact on accounts of PFS. - No indication of suspected fraud in instant observation made by forensic auditor
	c. <u>Minutes of Committee of Directors for Loan Recovery (CDL) not presented to the Board</u> • Committee of Directors for Loan Recovery (CDL) is an internal committee of the company and all the crucial details regarding the Loans recovery, Stress Loan Accounts, EWS loan accounts, NPA which contains status of loan accounts and corrective steps are discussed; • During our audit period i.e., from April 2019 to March 2022, 22 CDL Meetings were held and minutes recorded but the	- No Delegation of Power, any policy nor any directive from the Board of Directors or any of its sub-committee states to present any minutes of CDL meetings to the Board - Details about stress loans, EWS loans, NPAs (based on the discussions held in CDL meetings) are presented to audit committee, RMC and Board on a quarterly basis. - No financial impact on accounts of PFS.

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Sr. No.	CNK Observations – Corporate Governance Issues	EY Remarks
	management had not shared any details to the Board regarding the discussions held in CDL meetings. **CNK Comments** • Although CDL is an internal committee, minutes thereof should be presented to Board or RMC so that they may take note of the same. We believe that presenting the same to be Board would have given better insights to the Board on the loan recovery process; • As we understand, meetings of the CDL were held in the last week of the quarter. It was also observed that agenda was circulated as status of the project and no 'action taken report' on discussion of the previous meeting was placed to the CDL.	- No indication of suspected fraud in instant observation made by forensic auditor
	d. Debt Service Reserve Account (DSRA) invoked without permission of co lender • It was observed PFS has withdrawn funds from DSRA FD to settle the over- dues and the same would be replenished later; • In the case of [redacted], the Board in its 127th Board Meeting dated 23rd June 2020 had specifically enquired whether the approval of co- lender was obtained before the extraction of funds from DSRA of [redacted]. as this project is under consortium lending. The company responded that since the time involved was short, the same had not been done. The Board was informed that such requirement of permission from co-lender shall be examined, and necessary actions shall also be taken accordingly, and status will be informed to the Board in next meeting; • In 128th Board Meeting dated 4th August 2020, the Board was informed about the action taken with respect to extraction of funds from DSRA of [redacted] On enquiry about the requirement of consortium agreement, the Board was informed that as per the terms of the loan agreement, prior approval of the co-lender was required, while in the instant case PFS had informed subsequently to the co-lender. The Board also enquired about the response of	- PFS invoked DSRA pertaining to its share in the total lending to the borrower. - Subsequently, DSRA invocation was also informed to the co-lender vide email dated 1st August 2020. - No financial impact on accounts of PFS. - No indication of suspected fraud in instant observation made by forensic auditor

Sr. No.	CNK Observations – Corporate Governance Issues	EY Remarks
	the co-lender on the intimation sent by the Company. The Board was informed that reply of the PFC is yet to be received. The Board desired the response of co-lender shall also be placed before the Board. The Board further guided that it may be ensured that in future any such actions shall be taken on the lines of the consortium agreements only. **CNK Comments** • The company has withdrawn the amount of DSRA from a loan which was funded in the consortium lending. This unilateral withdrawal without the consent and permission of Co-lenders is a violation of the signed consortium agreement by the co-lender. From the verification of records, we are unable to ascertain whether any revert from co-lenders was obtained and placed to the Board.	
	e. Issues related to Asset Liability Management Committee (ALCO) agenda notes and approved minutes • Asset Liability Management Committee (ALCO) is an internal committee of the company wherein all the assets and liabilities mismatch and other related other related aspects to be monitored by ALCO. In terms of RBI circular, this is an important Committee; • In our verification, it was observed that during FY 2021-22, ALCO meetings were not held on time, as defined in the ALCO Policy. Minutes of the ALCO meetings were either not approved or were approved very late by MD&CEO; • Though requested, the relevant signed minutes were not made available to us for our review. **CNK Comments** • The company does not seem to have taken the functioning of the ALCO Committee very seriously and consider its recommendations for disbursements. To illustrate, it was observed	- On resignation of Ex Independent Directors in January 2022, the Board of the Company was re-constituted on 30th March 2022 and thereafter RMC was constituted on 16th July 2022. - During this time, ALCO meetings were held but ALCO minutes could not be put up to RMC due to RMC not being in place post resignation from ex IDs. Therefore, RMC meetings were not held during quarters ended March and June 2022. - No financial impact on accounts of PFS. - No indication of suspected fraud in instant observation made by forensic auditor

Sr. No.	CNK Observations – Corporate Governance Issues	EY Remarks
	in the ALCO meeting held on 30th March 2022 that when disbursement was being made through utilization of HQLA and not from utilization of sanctioned limits of banks and financial institutions, there was no appropriate intimation to the Board.	
	f. Issues related to PFS Benchmark rate • RBI, in its Risk Assessment Report, had pointed out that the company was lending at a higher rate. Around Rs 2,000 crores in 23 loan assets were prepaid by the borrowers in FY 2020-21. Due to high cost of lending, it was facing tough competition from banks and big infrastructure finance companies. PFS provides reply to RBI and further reduce the lending rate; **CNK Comments** • It seems that PFS is not transparent in its approach of charging interest rates. PFS was maintaining higher PFSBR (i.e., Benchmark rate) than it should have. This resulted in higher prepayments resulting in shrinking loan book size and also loss of revenue;	- PFS decided in its Board meeting held on 29 October 2020 and Business Committee meeting held on 02 August 2021 to pass the benefits of PFSBR to the borrowers based on the business exigencies upon the recommendation of the MRMC Committee - However, it was decided to do pass on the benefit/ burden of the change in PFS's base rate keeping in view of the book size as well as impact on PFS's other operational parameters. - No financial impact on accounts of PFS. - No indication of suspected fraud in instant observation made by forensic auditor
	2. Corporate Governance Issues w.r.t. Loan Accounts • As can be seen from our preliminary findings on the 12 Loan accounts (sent to the Board of Directors on 23 September 2022) and the 3 further Loan accounts (sent to the Board of Directors on 11 October 2022) there are several matters where good governance has been bypassed. • Given below are instances of 2 such Loan account which have also been highlighted by the Independent Directors in their resignation letter dated 19 January 2022.	

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Sr. No.	CNK Observations – Corporate Governance Issues	EY Remarks
	a) [redacted] Background The background of the [redacted] loan account had already been explained in the Preliminary Findings Report. Refer Point I – (Page nos 6-23). **CNK Comments** • Forensic Audit report for [redacted] received on 26 November 2018 was disclosed to the Board of Directors / Committee in the Business Committee held on 16 December 2020 i.e., after a lag of more than 2 years. (Refer our Preliminary Findings on Loan Accounts – point I); • The aforesaid forensic audit report contains several adverse observations including the diversion of funds. However, the management tried to justify the report as inconclusive, and no action seems to have been taken against the borrower and promoter nor seems to have informed to RBI upon receipt of FAR. Apparently, after a time gap and based on directions of the Board and Audit Committee PFS reported the matter to RBI on 12 August 2021 and physical copies were delivered on 13th August 2021; • For the IBC proceedings, at the Hon'ble Supreme Court, the Company sought adjournments apparently without any Board authorization. PFS agreed for final hearing only when Supreme Court in the month of December 2021 has decided that either they will hear the matter or dismiss the application (Refer our Preliminary Findings on Loan Accounts – point G); • The Board had already expressed concerns about the apparent weaknesses in internal controls and that the SOPs be reviewed as	- Please refer to EY remarks relating to the specific observations of the loan account.

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Sr. No.	CNK Observations – Corporate Governance Issues	EY Remarks
	part of the Internal Audit in the 140th Board Meeting dated 29 September 2021. Despite the same, even after the period of six months the management did not bring any agenda to comply with the above; • It was also observed that the main security of the loan which is the project land mortgaged to PFS was not legally enforceable as the NOC of the state government authorities which is required as per the leased deed has not been obtained by PFS. (Refer our Preliminary Findings on Loan Accounts – point K);	- The concerns discussed at the time before the Board was only pertaining to loan accoun[redacted] - Board directive pertaining to KMP certificate and internal audit compliances have been done for Q3 and Q4 of FY22. - Further, PFS has revised its RBIA policy and framework which has been placed before the Board for its approval.
	b) [redacted] The background of the[redacted]loan account had already been explained in the Preliminary Findings Report (Consolidated Loan Accounts). Refer Point III (page nos 49-56). **<u>CNK Comments</u>** <u>Change in the condition without approval of the Board</u> • As per the Board approved condition, the Borrower should have received extension of time from [redacted] which should result in extension in commissioning on or before 31st July 2021, which was a pre - disbursement condition as per approved Board condition while in the loan agreement same was differently captured in a way that the condition has lost its intent. It was mentioned in the loan agreement that the borrower should receive the permission from NHAI for commissioning on or before 31st July 2021 which means the permission of commissioning can be obtained upto 31st July 2021 which as per the original condition to be received before the disbursements (Refer our preliminary findings on loan accounts-Point A);	- Please refer to EY remarks relating to the specific observations of the loan account.

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Sr. No.	CNK Observations – Corporate Governance Issues	EY Remarks
	Non-reporting of the action taken on the decision of the Board taken in 140th Board Meeting • The Board in its 140th Meeting held on 29 September 2021 decided that management may bring the complete details to the Board by 31 October 2021 (Refer Point B. of Patel Darah Jhalawar Preliminary Findings); • As per PFS practice and the earlier Board decisions, agenda note on the any change in the board approved condition is required to be placed to the Board on quarterly basis. However, no such reporting of the matter was placed to the Board; • In 140th Board Meeting, "the Board further desired that a compliance certificate by any one of KMPs on the quarterly basis duly certifying whether all the conditions approved by the Board (related to the sanction) are captured in the sanction letter and loan agreement(s) be placed to the Board. The action on the same was taken almost 5 months later in February 2022 (which seems to be after the resignation of the 3 independent directors).	
	3. Incorrect / incomplete information shared to the Board of Directors and non-Adherence of the Directives given by the Board a) **No process initiated for confirmation by internal auditors for compliance on loan related matters.**	- In response to the query raised by then Chairman of PFS in the board meeting dated 04 February 2021, Chairman of PFS Audit Committee had replied that Internal auditor has reported minor deviations in the past and the same has been noted by Audit committee. - Therefore, independent body was not appointed to investigate the matter. - No financial impact on accounts of PFS.

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Sr. No.	CNK Observations – Corporate Governance Issues	EY Remarks
	In 131st Board Meeting dated 4th February 2021 the Chairman had asked for Internal Auditor Confirmation related to Loan matters which are presented to Board of Directors. Further, in the same meeting, the Board had directed that an Independent Body should also investigate these matters and give compliance to the Audit Committee, to the Board and to MD. **CNK Comments:** From our verification, we are unable to find any agenda related to the confirmation from the internal auditors with respect to matter that is presented to the board or Audit Committee (Reference Meeting 131 at 28.32 minutes) and the same is not recorded in the minutes.	- No indication of suspected fraud in instant observation made by forensic auditor
	b) **Delays by management in providing information to Board** On 19th February 2021 [redacted] sent a letter along with a questionnaire related to [redacted] and other matters to get more information for finalizing report. The reply given by the MD and CEO that they all were busy in some another matters and replies would be given shortly but till 9th March 2021 no such replies were provided; • In 132nd Board Meeting held on 9th March 2021, at 23 minutes recording [redacted] informed the Board that internal committee for [redacted] was formed on 19th December 2020 and thereafter they did not hear anything, and no draft minutes came so they were not sure what is happening;	- The independent directors in the Board meeting held on 5th October 2021 had given a clear certificate that flow of information by the Company to the Board or any of its Sub Committee was excellent - RBI's inspection report for FY2019-20 was originally submitted to the Board of Directors in its meeting held on 17th May 2021 which was then deferred to 21 June 2021. Subsequently, during the Board meeting dated 28 June 2021, the RBI inspection report was again put up to PFS Board and subsequently discussed in the same meeting. - No financial impact on accounts of PFS. - No indication of suspected fraud in instant observation made by forensic auditor

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Sr. No.	CNK Observations – Corporate Governance Issues	EY Remarks
	• The Chairman asked why minutes were delayed and whether it is conscious delay as he received minutes after 30 days; • In our verification, it was seen that the minutes of the 138th Board Meeting held on 28th August 2021, 139th Board Meeting held on 13th September 2021, 140th Board Meeting held on 29th September 2021 were confirmed only on 9th November 2021; • In 140th held on 29th September 2021 Mrs. Pravin Tripathi had questioned why the management has not discussed the RBI Inspection report in the earlier years to which [redacted] had said that "let's not bring out this issue, if we will discuss the issues here, there are so many governance issues are going on and this was also the part of the governance issue". **CNK Comments** As can be seen from the above, the management has time and again delayed in sharing important information to the Board.	
	c) **Communication of Independent Directors regarding N&R Committee ignored** • The Independent Directors on the Board of PFS and the Chairman N&R Committee [redacted] had repeatedly requested convening of the meeting of the N&R Committee for the appointment of one women ID for which the vacancy arose after completion of tenure of	- Adequate NRC and Board meetings were held during all financial years with no deliberate delay. - Requirement to appoint a Women Independent Director within 90 days was also met. - With respect to re-appointment o[redacted] as Independent Director (for another term of 3 years) as requested by other Independent directors to NRC, it was identified that he was ineligible as per PFS policy. - No financial impact on accounts of PFS.

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working world

Sr. No.	CNK Observations – Corporate Governance Issues	EY Remarks
	[redacted] on 14th October 2021 and for the issues of WTDs; • But his multiple requested were not acceded / responded by neither [redacted] (MD&CEO) nor by [redacted] (Chairman); • The meeting of the N&R Committee called for 10th December 2021, by [redacted] was rescheduled for next week on the request of [redacted] (the meeting was finally not held as the nomination of the candidate was withdrawn); • On 12th December 2021, Company Secretary emailed as an early warning signal to [redacted] and [redacted] regarding the status of the non-compliances which can happen in future if the NRC meeting will not be held timely **<u>CNK Comments</u>** It seems that there were deliberate delays in holding the N&R Committee meetings inspite of reminder by the Company Secretary.	- No indication of suspected fraud in instant observation made by forensic auditor.
	4. <u>Possible Non-compliance of Rules & Regulations. Circulars and guidelines of RBI</u> a) **<u>Appointment of nominee directors</u>** • PTC India Ltd. has nominated 2 directors as their nominees on Board of PFS. Accordingly, Board of PFS vide resolution by circulation passed on 8th November 2021 has appointed them as Nominee Directors of PTC on the board of PFS. Board Constitution on 8th November 2021 prior to approval of the resolution by circulation;	- In the instant case, consequent to resignation of [redacted] as Chairman of PTC India Ltd and also withdrawal of [redacted] as nominee Director, PTC India appointed 2 nominee directors [redacted] as Chairman and [redacted] on Board of PFS. - Basis the above, there was no change in equity shareholding structure and/ or management of PFS - Further, a similar query was received from RBI and Company has provided the same response to RBI. - No financial impact on accounts of PFS.

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Sr. No.	CNK Observations – Corporate Governance Issues	EY Remarks
	<table><tr><th>Category</th><th>Number</th></tr><tr><td>Whole Time Director</td><td>1</td></tr><tr><td>Independent Director</td><td>4</td></tr><tr><td>Nominee Director</td><td>1</td></tr><tr><td>Mr. [redacted] was part of Board as</td><td>1</td></tr></table> • **Requirement as per RBI** In terms of RBI Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit Taking Company and Deposit taking Company (Reserve Bank) Directions, 2016- Section III (Governance Issues), an applicable NBFC, shall require prior written permission of the Bank for the following: Any change in the management of the applicable NBFC which results in change in more than 30 percent of the directors, excluding independent directors. Provided that prior, approval shall not be required in case of directors who got re-elected on retirement by rotation. **CNK Comments** Since at the time of approval by the Board, there was only two non- independent directors, appointment of 2 nominee directors would lead to change in more than 30% of directors and hence require prior written permission of the RBI. However, it seems that no such permission was sought by the Company from RBI.	- No indication of suspected fraud in instant observation made by forensic auditor
	b) **Issues highlighted by the RBI not closed**	- RBI's inspection report for FY2019-20 was originally submitted to the Board of Directors in its meeting held on 17th May 2021 which was then deferred to

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Sr. No.	CNK Observations – Corporate Governance Issues	EY Remarks
	RBI vide their Inspection report, Risk Assessment report and supervisory report for the FY 2019-20, raised various concerns related to corporate governance issues. Some instances of the same are: Also refer Exhibit K a) *The company needs to revisit its fraud risk management system for early detection of potential frauds and monitoring existing fraud cases;* b) *No IS audit was conducted in the year 2019-20;* c) *The company shall initiate steps with approval of its Board to:* i. *Bring down its Gross and Net NPAs.* ii. *bring down credit concentration (group) within the prescribed limits;* iii. *Introduce system driven classification of NPAs on an ongoing basis.* *The company was governed by a Board of Directors. The Deed of Covenants as required in terms of Para 72(1)(iii) "Fit and Proper Criteria" of RBI Master Direction issued vide DNBR PD. 008/ 03.10.119 / 2016-17 dated September 1, 2016 was not available* [redacted] *Nominee Director;* d) *The company was carrying out stress testing, however, the Liquidity Ratio of the company continued to be low at 0.60 as on DPI. The Liquidity ratio was 0.34 as on DLI;* e) *From The profile of the NPA. The reported gross NPA and net NPA as per audited annual financial as on DPI were 8.79% and 4.69%, respectively. In comparison, it was 5.98% and 3.11% as on DLI. The quality of the loan portfolio deteriorated from the previous year. Out of 11 NPA accounts, six were from coal mining projects and two*	21 June 2021 by the Board. Subsequently, during the Board meeting dated 28 June 2021, the RBI inspection report was again put up to PFS Board and subsequently discussed in the same meeting. - No financial impact on accounts of PFS. - No indication of suspected fraud in instant observation made by forensic auditor

Sr. No.	CNK Observations – Corporate Governance Issues	EY Remarks
	Hydro projects and one each from Gas, corporate and Bio-Mass. The company had written off six accounts during the year. The company had sold one account to ARC; three accounts were settled under OTS, one account resolution plan approved by NCLT and one account referred for liquidation; *f) IRAC norms: Prudential norms relating to income recognition, asset classification and provisioning;* *g) The Group CRO who was also ED of PTC India Limited (PTC) working in PTC group since May, 2013, was part of one Athena group from 2008 to 2013. Before joining Athena group, he was also working in PTC India Limited from August 01, 1999 to May 01, 2007. PTC India Financial Services Limited had sanctioned a loan of ₹200 crore to [redacted] group on March 01, 2011 and additional facility of ₹51 crore on March 16, 2016, when the CRO had joined back PTC India Limited. The account had turned NPA in 2018;* *h) The Risk management approach in PFS was aligned with the Group Risk Management Policy of PTC, which defined the risk appetite and other aspects including the risk management organization for PTC and its subsidiaries). The Gr. CRO for the PTC group, was an invitee to the Risk Management Committee meetings of PFS and he was the special invitee to all Board Meetings of PFS, since late 2014. The CRO and the risk management team of PFS worked with the Gr.CRO of PTC for risk assessment, methodologies and management. The independence of the functioning of the Risk Management Committee of PFS could not be ascertained due to the above;* *i) The CRO of PFS was accountable to the Group CRO for the preparation of the Risk reports. The risk reports were*	

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<tr><th>Sr. No.</th><th>CNK Observations – Corporate Governance Issues</th><th>EY Remarks</th></tr>
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vetted by the Gr. CRO of PTC, before their submission to the MD & CEO of PFS. This was not in terms of para 2(c) of the RBI/2018-19/184 DNBR(PD) CC.No.099/03.10.001/2018-19 dated May 16, 2019;

j) The Board in its meeting held on June 23, 2020, decided to form a "Business Committee" by merging the following Committees/Gr. of Directors:(a)Group of Directors for Policy review (b)Committee of Directors for Issuance of Bonds (c)Investment Committee (for sanction of financial assistance upto Rs. 100 crores) (d)Group of Directors to consider the Settlement Proposals (e)Group of Directors for Capital Raising and Strategy (f)Group of Directors for Business Plan and Strategy. The composition of the "Business Committee" was as under:

<table>
<tr><td>1</td><td>Whole Time Director on PTC India Ltd. (PTC) and nominee Director on PFS</td></tr>
<tr><td>2</td><td>Independent Director on PTC</td></tr>
<tr><td>3</td><td>Independent Director on the Board of PFS</td></tr>
<tr><td>4</td><td>ED of PTC India Ltd. & Gr. CRO for PTC group and Nominee Director in PFS</td></tr>
</table>
The independence of the functioning of the Business Committee could not be ascertained as the Chairman of the Committee was also the Whole Time Director on PTC India Ltd;

k) The minutes of the 37th and 38th meetings of the Nomination and Remuneration Committee (December 23, 2019 and January 27, 2020) were approved by the Board of Directors in its meeting held on June 23, 2020, wherein
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Sr. No.	CNK Observations – Corporate Governance Issues	EY Remarks
	it was decided that – *(a) All the appointments for PFS shall be done with prior approval of Director (HR), PTC India Limited except that the management may prepare the manpower plan and the same may be placed for approval of the Committee and the Board. Once the same is approved, the appointments may be made as per Group HR policy.* *(b) The issue related to transfer, posting, promotion at the level of functional head and one level below that would be done with prior intimation to Director (HR), PTC India Limited.* *(c) For any communication related to policy matters including potential PTC divestment may be made only after prior intimation to Director (HR), PTC.* *The reason for the above decision was mentioned as PTC India Limited was exploring the possibility for sale of its stake in PFS, therefore, till a binding offer was received by PTC and a prospective buyer is identified, HR matters of PFS need to be carried in consultation/ approval of PTC. Due to the above Arm's length relationship between PTC India Ltd. and PFS was not ensured in terms of section 188(1) of Company Act, 2013* **CNK Comments** In our verification of the communication between PFS and RBI, we have not come across any communication for the final closure of the aforesaid issues.	

<table>
<tr><th>Sr. No.</th><th>CNK Observations – Corporate Governance Issues</th><th>EY Remarks</th></tr>
<tr><td></td><td>c) <u>Implementation of RBIA Framework</u>
On 3rd February 2021, RBI had mandated RBIA framework for following Non-Banking Financial Companies (NBFCs) and Primary (Urban) Co operative Banks (UCBs):
a) All deposit taking NBFCs, irrespective of their size;
b) All Non-deposit taking NBFCs (including Core Investment Companies) with asset size of ₹5,000 crore and above; and
c) All UCBs having asset size of ₹500 crore and above.

<u>CNK Comments</u>
PFS had required to implement RBIA framework but as per the data and information provided to us, it seems that PFS had not implemented the RBIA till 31st March 2022 which is a violation of RBI circular.</td><td>- RBIA was not implemented as per RBI deadline of 31 March 2022 due to non-functioning of Board and RMC.
- After their reconstitution, PFS appointed Deloitte for advising on the implementation of RBIA.
- After considering draft report of Deloitte, a draft RBIA policy and framework was prepared and submitted to RMC in its meeting held on 10 October 2022.
- The approval of draft RBIA policy and framework has now been placed before the Board for approval.
- No financial impact on accounts of PFS.
- No indication of suspected fraud in instant observation made by forensic auditor</td></tr>
<tr><td></td><td>5. <u>Non-compliant manner in using scanned Signatures for signing the documents (as per Information Technology Act, 2000)</u>
In the Internal Audit Report of Q2 for FY 2021-22, Internal auditor has mentioned that the PFS had used the scanned signatures for signing the following documents:
a) FMR 2 & 3 (Fraud classification & reporting) submitted to RBI for the period Q2 FY 21-22.
b) No dues certificate issued to the borrowers by the monitoring team.
c) Modifications letters issued by appraisal team.

<u>CNK Comments</u>
By using scanned signatures, the company violates the compliance of the Information Technology Act, 2000 and also the document</td><td>- The person whose scanned signatures were used was marked in all emails relating to the same.
- PFS did use scanned signatures in 2 out of 64 documents. Scanned signatures were used out of 2 documents out of sample 40 documents which were reviewed and confirmed by internal auditors vide email dated 24 August 2022.
- No financial impact on accounts of PFS.
- No indication of suspected fraud in instant observation made by forensic auditor</td></tr>
</table>

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Sr. No.	CNK Observations – Corporate Governance Issues	EY Remarks
	authenticity is not valid. In future, the concerned personnel would not take responsibility of that. It also seems from the email that CFO has tried to convince the internal auditor not to include the point in their report.	

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Limitations on scope

- The engagement was carried out in accordance with the engagement agreement and statement of work dated 26 August 2022 alongwith the terms & conditions mentioned therein.
- The scope, coverage and approach mentioned in this report was arrived at based on discussions with Client management.
- All matters, issues and information referred to in this report arise from our discussions with identified personnel involved in overseeing/managing the operations at the Client
- Our endeavor was to analyze/review the documents in their complete perspective and present our findings thereupon, such findings are based only upon data/information to the extent reviewed by us. Should additional relevant statements or documents be made available subsequently, it may be necessary to revisit the findings accordingly.
- We have relied on the data provided to us by the Client and its officials. It may not be possible to check the accuracy and authenticity of all the data sets provided to us.
- This review is in the nature of a Fact-finding investigation of the sample transactions of identified entities and is not a re-audit/audit of the accounts balances/financial statements or parts thereof.
- The sufficiency of the work steps/procedures is solely the responsibility of the management. Consequently, we make no representation regarding the sufficiency of the procedures performed either for the purpose for which the report was requested or for any other purposes.
- Our findings cannot be taken to be exhaustive, in view of the fact that only specific sample of transactions were reviewed. Our findings are based on information and documents to the extent provided to us. For this reason, it is possible that our observations may have been different had we reviewed the whole documentation/ information on a particular matter
- Our scope did not require, and our work steps were not tailored to identify regulatory/statutory non-compliances. Our observations on statutory regulations, if any, do not purport to be an opinion, expert or otherwise. It merely represents our understanding of the facts and possible interpretations of law. Management is advised to take expert opinion before initiating any action.
- Management shall be fully and solely responsible for applying independent judgment with respect to the findings included in this fact finding report, to make appropriate decisions in relation to future course of action, if any. EY shall not take responsibility for the consequences resulting from decisions based on information included in the report.
- We have relied on the justifications provided by management on the observations stated by forensic auditor.

EY

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- While EY made appropriate efforts to ensure confidentiality and discreteness of the engagement, employees of the Client or the Subject (or the Target / Entity or the Individual) may have come to know about the same. EY will not be liable for any loss/damage of whatsoever nature arising due to such disclosure/knowledge/awareness.

- Our findings in this report are based on the discussion with the entities which was substantially completed as on 06 November 2022. We undertake no responsibility to update this report for events or circumstances occurring after the date of completion of discussion.

- We have also relied on the verbal justifications provided by PFS management and the same has been captured accordingly in our remarks.

- Under no circumstances shall we be liable, for any loss or damage, of whatsoever nature, arising from information being withheld or concealed from us or misrepresented to us by any person/agency to whom information requests were made

- We are not intending or agreeing to act as an expert witness or provide an expert opinion or expert testimony during the course of any legal proceeding or be deemed as representing or advocating any position on behalf of any party in any legal matter or proceeding

- EY assumes no responsibility to any user of the report other than the Client. Any other persons who choose to rely on our report do so entirely at their own risk.

- We have not given any part of our report to the process owners at the Client, a practice we sometime adopt to be able to identify information, if any, in our reports that may not be factually correct, if any. For this reason, it is possible that there are factual inaccuracies where we have not been provided with the complete picture/information/documentation on a particular matter by the process owners.

- Client management authorized the engagement team for obtaining of documents from entities which were required to complete the work steps for this engagement

- The report is addressed to the Client and is provided for internal use only. Any sharing of our report to any party other than the Client and any government agency, authority, or regulatory body, will be with our prior written consent, who may use it only as we have specified in our consent.

- The report to be placed in its complete and unaltered form only, on "need to know basis" and to the extent required for the purposes of the arbitration before the investigation agencies or in the course of any court proceedings in relation thereto.

- When assisting the Client, EY has not:

    - Provided assurance of an opinion with regards to the design of operating effectiveness of the Client's internal controls over financial reporting

- Performed routine activities in connection with the Client's operating that are equivalent to those of an ongoing compliance or quality control function
- Approved, or be responsible for, the overall work plan, including the ultimate assessment of risk, determination of scope, project priorities and the frequency of performance of the work procedures
- Determined which, if any, recommendations should be implemented
- Acted on behalf of management in reporting to the Board of Directors, or Audit Committee
- Authorized, execute or consummate transactions or otherwise exercise authority on behalf of the Client
- Performed routine activities in connection with the Client's operating or production processes
- Prepared source documents on transactions
- Have custody of assets
- Acted in any capacity equivalent to a member of management or an employee

Specific additional terms and conditions

Our work was not performed in accordance with generally accepted auditing, review, or other assurance standards in India and accordingly does not express any form of assurance. None of the Services or any Reports will constitute any legal opinion or advice.

Notwithstanding anything to the contrary in the Agreement or this SOW, we do not assume any responsibility for any third-party products, programs or services, their performance or compliance with your specifications or otherwise.

We have based any comments or recommendations as to the functional or technical capabilities of any products in use or being considered by you solely on information provided by your vendors, directly or through you. We are not responsible for the completeness or accuracy of any such information or for confirming any of it.

Report Number - 2520625

CNK
& ASSOCIATES LLP
CHARTERED ACCOUNTANTS

04th November 2022

The Board of Directors,
PTC India Financial Services Ltd.,
7th Floor, Telephone Exchange Building,
8 Bhikaji Cama Place,
New Delhi – 110 066

Dear Sirs/madam,

Sub: Forensic Audit of PTC India Financial Services Limited – Submission of Final Report

With reference to our appointment dated 26 April 2022 and Engagement Letter dated 27th May 2022, accepted by the management of the PTC India Financial Services Ltd (referred to as 'PFS' or the 'company') on 18th July 2022, we present herewith our Final Report for the same.

The report consists of the following:

We thank the Audit Committee and the Board of the company for having reposed trust in us for the above.

Yours sincerely,

C N K & Associates LLP
Chartered Accountants

C N K & ASSOCIATES LLP MUMBAI Chartered Accountants

PTC India Financial Services Limited

Forensic Audit Final Report

Dated: 4th November, 2022

CNK & ASSOCIATES LLP MUMBAI Chartered Accountants

INDEX OF FINAL FORENSIC REPORT

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I. Background and Introduction:

PTC India Financial Services Limited (PFS) has been promoted by PTC India Ltd (PTC) as a company incorporated under the Companies Act 1956 and registered with RBI as a NBFC.

It is a systemically important non-deposit taking NBFC classified as "Infrastructure Finance Company (IFC)" by RBI and is listed on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited.

PFS, being an IFC, is engaged in the business of making investments in, and providing financing solutions to companies with projects in the power sector and related areas across the entire energy value chain.

The business model and commitment of PFS is to partner in infrastructure development and support the Power Sector by catering to the financial requirements of the sector.

II. Appointment:

Based on the communication dated 26th April 2022 and the announcement by the company to the stock exchanges on 27th April 2022, the Company has appointed C N K & Associates LLP, (hereinafter referred to as "CNK") for carrying out a Forensic Assignment vide letter dated May 27, 2022 as per the scope mentioned therein and referred to herein after.

III. Scope:

The forensic audit emanated from the issues raised by the resignation of the 3 Independent Directors vide their letters dated 19 January 2022. The matters raised by these Independent Directors included:

- Loan related matters;
- Matters related to appointment of Mr. Ratnesh as CFO;
- Other Corporate Governance matters

For the Loan related matters, the Forensic Audit was to be focused on the following:

Review of stressed assets (including all Stage 2 which are overdue) and Stage 3 loan accounts, including those which have been written off during the period 1st April 2019 to 31st March 2022;

- Review of Electronically Stored Information (ESI), including email communications and documentation in relation of the loan facilities to ascertain any non-disclosure of relevant information (including information which is incorrect on financial reporting, loan recovery process and in relation to any fraud established through forensic audit report on any particular account) to the Audit Committee / Board which will have Material Impact;
- Assess and report about implications of such missing information, if any identified, on recovery process and financial reporting of the Company for the stated period;
- On a sample basis, review sample of minimum 10% of total sanctions/ disbursements that took place during the Review Period;

Note: The above sample size may be increased on the basis of the adverse results of review of selected samples sanctions/disbursements.

- Review of the board's approved terms as mentioned in sanction letter (including any amendments of sanctions) and those mentioned in the loan agreement w.r.t compliance of conditions related to pre-disbursement conditions having Material Impact (including charge creation before disbursement), in the agreements signed with respective borrowers. Report instances of gaps or differences, if any;
- Review of relevant Electronically Stored Information (ESI) including email communications, loan related documents, other documents, and data to ascertain the veracity of the issues raised by the Independent Directors of the Company in resignation letter/s dated 19th January 2022 having material impact on the company.

  "Material Impact" means any event which result in material adverse impact on financial position on the accounts of PFS and performed with sole motive of malafide intention / fraud wherein any such critical information was not disclosed to Audit Committee or Board and is in contravention of PFS policies or directions of the Board or statutory requirement, having significant impact on decision making related to such project /proposal.

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IV. Chronology of events:

Chronology of events for Forensic Audit of PTC India Financial Services Limited (PFS)

Date	Events
26 April 2022	Email from [redacted] Chairman, Audit Committee PFS informing CNK & Associates LLP (CNK) about the appointment as Forensic Auditors (draft scope was also enclosed)
27 April 2022	Email confirmation from CNK accepting the appointment
27 April 2022	Intimation by PFS to Stock Exchanges about our appointment
05 May 2022	Email to CS, PFS by CNK asking for next steps to commence the verification, SPOC, etc.
06 May 2022	Email communication from PFS to CNK seeking guidance for indicative scope of work
07 May 2022	Response shared by CNK to PFS email for providing clarity on scope of work
18 May 2022	Meeting held between partner, CNK (Himanshu Kishnadwala) and PFS representatives at PFS office, Delhi
19 May 2022	Draft scope of work received from PFS
20 May 2022	Draft engagement letter (EL) shared with PFS
26 May 2022	Letter of Intent (LOI) issued by PFS
27 May 2022	**Signed EL and Initial List of Requirements (LOR) sent to PFS**
30 May 2022	Initial requirement list and draft copy of NDA shared by CNK
31 May 2022	Invoice for advance as per EL sent to PFS
01 June 2022	Amount received against advance from PFS
02 June 2022	**Proposed audit commencement date informed to PFS and bookings done from 06-09 June 2022 – follow up on LOR also done**
02 June 2022	Response received from PFS stating that they are in process of compilation of data and would require at least 2-3 days
06 June 2022	No further response received and trip to PFS office for verification cancelled
13 June 2022	Follow up email from CNK to PFS for availability of data and confirmation for commencement of onsite verification
29 June 2022	Further follow up email from CNK to PFS for commencement of onsite verification
30 June 2022	**Response from PFS stating that they are awaiting internal clearances for commencement of onsite audit**
07 July 2022	Email received from PFS regarding complaint received from a shareholder for appointment of CNK as forensic auditors
11 July 2022	Response provided by CNK to PFS on the complaint received
14 July 2022	**Call from PFS for immediate commencement of audit**
15 July 2022	Email from CNK for confirmation of audit commencement from 18 July 2022 and sending of the LOR again

18 July 2022	**Audit commencement onsite by CNK team members**
18 July 2022	Additional requirement list 1 sent by CNK to PFS
19 July 2022	Draft NDA with modifications received from PFS
19 July 2022	**EL signed by PFS shared with CNK along with covering letter with additional c[redacted]**
20 July 2022	Response provided by CNK on covering letter to EL objecting to additional conditions
20 July 2022	Status update on Initial requirement list provided by PFS
21 July 2022	Email from PFS stating that only items having 'Material Impact' should be verified
22 July 2022	Status update on additional requirement list 1 provided by PFS
23 July 2022	Additional requirement list 2 shared by CNK with PFS
25 July 2022	PFS shared response on additional requirement list 2 expressing limitations on sharing of data
18-22 July 2022, 25 July 2022	Part data shared by PFS for Initial requirement list and additional requirement lists – the sharing was very selective and in bits and parts
26 July 2022	Response from CNK to PFS on final draft NDA shared
26 July 2022	On site visit by CNK partner (Himanshu Kishnadwala)
26 July 2022	Email from CNK to PFS for providing data access to audit team to enable data extraction and data backup for verification purposes
26 July 2022	Response from PFS on data access concern raised by CNK
01 August 2022	**Data sharing as per the engagement requirement initiated and partial data shared by PFS with CNK**
02 August 2022	On site visit by CNK partner (Himanshu Kishnadwala)
02 August 2022	Email from CNK to PFS for providing additional details regarding Minutes of Board and Other Sub Committees
05 August 2022	Email from CNK to PFS for providing additional details in relation to reports shared
06 August 2022	Email from CNK to PFS containing additional loan files selected for verification
08 August 2022	Email from PFS to CNK confirming the sharing of data in relation to additional samples of loan files
08 August 2022	**Email from PFS to CNK confirming the sharing of data from SAP**
08 August 2022	**Email from PFS to CNK sharing the new email id for further communication**
08 August 2022	**Email from PFS confirming the sharing of 140 additional loan files (physical) to CNK**
10 August 2022	Email from PFS requesting to conduct a meeting to discuss the observations. Reply by CNK to hold the meeting at 2 pm next day and confirmation of the same received from PFS
10 August 2022	Email from PFS to CNK confirming the sharing of 2 more additional loan files
11 August 2022	Email from PFS to CNK informing that mostly additional requirements request dated 05 August 2022 have been complied

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11 August 2022	Email from CNK to PFS requesting to provide the details called for on 02 August 2022
11 August 2022	**Email from CNK to PFS informing that the requirements requested on 05 August 2022 shared by PFS is not complete and asking PFS to confirm that as per their information, no other reports on the matter are commissioned by PFS or the holding company or any other agency. Based on a review of the information provided till date, an additional requirement list was also sent.**
12 August 2022	Email from PFS to CNK sharing the status of compliance and also that recordings of Minutes will be made available from 16 August 2022
16 August 2022	Email from PFS to CNK sharing the majority of the requirements requested on 11 August 2022
16 August 2022	PFS requesting the date of completion of Forensic Audit from CNK
17 August 2022	Email from PFS to CNK requesting to schedule a meeting with Statutory Auditor to which CNK requested the agenda of the meeting. Reply received that Statutory Auditor desires to discuss the scope and timeline for the forensic audit. CNK told PFS that meeting can be held at mutually convenient time
18 August 2022	**Email from CNK to PFS asking for the pending details of the requirements requested on 02 August 2022 since all details were not forthcoming**
19 August 2022	Email from CNK to PFS requesting documents and information related to the appointment of [redacted]
20 August 2022	CNK shared the additional requirements for the Risk Assessment and role of CRO
22 August 2022	Email from PFS to CNK informing that all recordings have been made available
22 / 23 August 2022	Exchange of Emails between PFS and CNK regarding timelines sought and that information was being shared in bits and parts with some of the requirements still pending
23 August 2022	PFS informed uploading of requisite documents
24 August 2022	PFS informed that Statutory Auditor desires to discuss the scope and timeline for the forensic audit
24 August 2022	CNK team after a meeting with the PFS Forensic Audit team, shared the list of requirements and mentioned that the details should be duly certified on PFS letterhead by the PFS Forensic Audit team for completeness and affirmation that no other details on that subject are pending
25 August 2022	Email from PFS to CNK informing that data requested by CNK on 20 August 2022 regarding risk assessment is now shared
26 August 2022	Email from PFS to CNK mentioning the CNK defined scope and period to be covered and requesting to complete the assignment within the agreed timelines and provide the draft report
27 August 2022	Email from CNK to PFS mentioning that the timelines are indicative and based on the initial understanding of the assignment. Also, there were delays by PFS in providing data and in any case CNK intending to present the preliminary findings or draft observations in the next 1-2 weeks. The email from CNK also mentioned that ***"As far as providing draft***

	observations are concerned, we would like to point out that many of these observations could relate to the actions of the current management taken in the last few years – we would hesitate to share the same with the same set of persons. We are therefore trying to gather as much evidence for these observations from other supporting documents. Without pointing to any specific person or putting allegations on any person, our team also believes that certain crucial information was withheld or deliberately not made available. We are trying to understand this from other supporting documents".
29 August 2022	CNK orally requested PFS for meeting with ex-CS regarding NSL loan matters. PFS informed CNK that the ex-CS is not willing to meet the forensic auditor and asked CNK to send formal email for the same. Post the mail, it was confirmed that the ex-CS would visit PFS office to meet CNK. CNK had 2 meetings with the ex-CS in presence of the representatives of PFS. (29 August and 31 August)
29 August 2022	Email from PFS to CNK requesting to provide the draft report/observations on immediate basis
30 August 2022	Email from CNK to PFS mentioning that CNK will correspond with Audit Committee and regulators and share the verification process and the chronology of details provided so far and adhere to directions they may have in this regard
30 August 2022	Email from CNK to PFS requesting to share the requirements requested on 24 August 2022
30 August 2022	PFS again asked CNK to share the draft observations
31 August 2022	Meeting with Statutory Auditor of PFS in presence of PFS team
01 Sept 2022	**Email from CNK to PFS requesting for clarifications for selected loan related files**
01 Sept 2022	Email from PFS to CNK informing the status of the requirements requested on 24 August 2022 except TRA statements
02 Sept 2022	Email from PFS to CNK requesting again to share observations and draft report – to which CNK replied that several details and information were still pending to fill in the gaps
02 Sept 2022	**Email from CNK to PFS pointing out several requirements asked on 24 August 2022 still awaited and also to provide the additional loan files (for stage 3 as discussed in the meeting with Statutory Auditor and in terms of EL)**
02 Sept 2022	Email from PFS to CNK informing that PFS is providing the information requested on priority, also sharing the responses of the requirements requested on 24 August 2022 and 12 files for 2 loan accounts
02 Sept 2022	Email from CNK to PFS informing that non provision of the documents and reports can amount to major limitation and may be escalated to Audit Committee or Regulators
06 Sept 2022	PFS informed CNK that files of balance 2 loan accounts have been provided and also informing the status of requirement list requested on 01 September 2022 .
06 Sept 2022	CNK requesting PFS to share the loan and disbursement files for Ostro Energy Private Limited

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07 Sept 2022	Email from PFS to CNK asking to share the audit observations and complete the forensic audit on agreed timelines as per executed Engagement Letter, to which CNK reply requesting to share the requested details and informing that the team is working to close the process at the earliest
07 Sept 2022	Email from PFS to CNK informing of sharing the loan files of Ostro Energy Private Limited
08 Sept 2022	PFS requesting to provide clarity on why CNK requested the loan files of Ostro Energy Private Limited, which clarification was immediately provided by CNK
08 Sept 2022	Email from CNK to PFS informing the data requested still pending, and asking for specific further requirements including pst file for the CEO and MD
09 Sept 2022	Email from CS, PFS to CNK inviting for the board meeting scheduled on 12 September 2022 and reply from CNK asking for the agenda of the meeting
11 Sept 2022	Email from CS, PFS to CNK requesting to attend the board meeting
12 Sept 2022	Email from CS, PFS to CNK asking for the confirmation of attendance at the board meeting
12 Sept 2022	Reply by CNK that it may be inappropriate to attend the Board meeting till some preliminary observations or draft report are issued and also shared the status update
12 Sept 2022	Email from CS, PFS to CNK asking to attend the board meeting scheduled on 16 September 2022 and reply by CNK to PFS reiterating the same reasons for non-acceptance of the invitation
12 Sept 2022	Email from CS, PFS to CNK again requesting to join the board meeting
12 Sept 2022	CNK informed PFS that it would not be attending the board meeting
13 Sept 2022	CNK inadvertently instead of sending mail to their team, by doing "reply all" resent a mail to the same persons who had been earlier sent the mail by PFS. Email from PFS to CNK about breach of confidentiality and asking for the list of information sent by CNK to anyone in respect of forensic audit. Email from CNK to PFS confirming there is no breach of confidentiality and that no data has been shared with any outsider. Also, that the said mail had been recalled.
14 Sept 2022	CNK requesting PFS to share the information requested on 08 Sept 2022
14 Sept 2022	PFS again requesting CNK to confirm that the data has not been shared with any third party, which was immediately confirmed by CNK
14 Sept 2022	Email from CS, PFS to CNK requesting to attend the board meeting scheduled on 16 September 2022 and also requesting to provide the draft report by the end of the week, with the final report to be concluded as per the timelines provided by SEBI. In reply, CNK asked PFS to share the status update as shared by them with SEBI
14 Sept 2022	PFS shared the data and status for the requirements requested on 08 September 2022 to which CNK replied thanking PFS and further highlighted the requirements on which response was still pending
15 Sept 2022	Email from PFS to CNK providing the status of the pending requirement and requesting to complete the forensic audit to which CNK also responded on the pending items

15 Sept 2022	Email letter from PFS to CNK listing 12 points and again requesting CNK to attend Board Meeting on 16 August 2022 – to which CNK responded to each point refuting the allegations
16 Sept 2022	Email from PFS to CNK requesting the confirmation of definition of major expense through Corporate Debit Card (details sought on 24 August) as per their discussion with a CNK team member
16 Sept 2022	Email from PFS to CNK confirming that requisite arrangements will be made and again requesting completion of the forensic audit at the earliest
17 Sept 2022	Email from CNK to PFS mentioning that once all the requested information is available, CNK will endeavor to complete the process at the earliest
17 Sept 2022	CNK confirmed the definition of major expense through Corporate Debit Card
20 Sept 2022	Though the team was promised that access to the pst files of the MD and CEO (asked for on 8 September 2022) would be given by 19 September 2022, the same not made available. CNK was told orally that the team is working to arrange the logistics for the same
20 Sept 2022	Email from PFS in reply to email of 17 September 2022 mentioning that information sought is outside scope (incl. that for corporate card for which company had initially agreed to provide with a threshold of Rs 5 lakhs) and hence will not be provided. Request made by PFS to issue draft report / observations immediately. CNK replied to the same stating that not providing the said information can amount to a limitation on the scope.
20 Sept 2022	CNK replied to this email that the process is on-going and that CNK is working to issue preliminary findings as per the mail. Also, that verification is still pending on some crucial information which was given by PFS in the mail.
22 Sept 2022	Pst file of the MD and CEO provided, but there were constraints in accessing the same which was communicated by email to the company. The said mail also mentions other select data which though requisitioned earlier is awaited.
23 Sept 2022	CNK informed PFS that the draft report/preliminary observations are to be submitted by CNK to PFS management only. On the same day, PFS provided the disbursement note of [redacted] and [redacted] (partial), TRA statements of NRSS and Danu.
23 Sept 2022	**CNK shared the first preliminary findings report in 3 parts**
24 Sept 2022	PFS confirmed that they have received the Preliminary findings
28 Sept 2022	PFS email to CNK requesting to schedule the meeting to discuss the preliminary findings
29 Sept 2022	CNK requested PFS to give formal reply to the preliminary findings
29 Sept 2022	PFS requested CNK to provide the balance observations and they will address all observations in one go. On the same day, PFS again requested to provide balance observations by same day
30 Sept 2022	CNK requested for a response of the Board of Directors on the Preliminary findings shared on 23 September 2022. Also informed that for the other matters, verifications are going on as 'pst' file of MD&CEO were made available in the 3rd week of September 2022. CNK also intimated that the team is planning on-site verification fom 3 October 2022

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30 Sept 2022	PFS requested CNK to depute senior official of the CNK to verify the PST file of MD&CEO. On the same day, CNK replied and informed that verification of 'pst' file of MD&CEO is under the supervision of a senior person and the verification for balance loan files is under progress. Also, response is awaiting from the Board of Directors on Preliminary Findings shared on 23 September 2022
01 Oct 2022	PFS clarified that the company will provide the response in one go for all observations and again requesting to complete the forensic audit on time
03 Oct 2022	CNK informed that team is working on the remaining verifications and findings to expeditiously close the assignment and again asked for the response on preliminary findings report. On the same day, PFS again requested to inform the date for submission of balance observations
04 Oct 2022	PFS replied CNK on the email dated 17 September 2022 that corporate credit details requested are outside the scope of executed engagement letter
06 Oct 2022	The Company Secretary sent invite for the Board Meeting to be held on 11 October 2022 at 11 AM
07 Oct 2022	CNK replied that they will confirm the attendance on 10 October 2022 because of the prior commitments of another meeting
07 Oct 2022	PFS replied to CNK on Preliminary Findings report of 23 September 2022
10 Oct 2022	**CNK replied to PFS mail dated 07 October 2022 that it would assume that the response is finalised after deliberations at the Audit Committee / Board meetings of the company and will look into these responses and take them into consideration while issuing the final report.** **CNK is also in the process of issuing their preliminary findings on the remaining sample Loan files and on Corporate Governance issues. CNK also mentioned that all the matters indicated in the resignation letters of January 2022 of the independent directors will be covered.**
10 Oct 2022	The Company Secretary sent reminder for the availability of Board Meeting @ 11am on 11th October 2022. CNK confirmed to attend the Board Meeting online at 11am and asked to share the agenda details
10 Oct 2022	PFS replied to CNK asking to discuss observation before they are drafted / finalized in interest of both the parties[redacted]er, PFS asked to share the draft version of the report with them before the final report is issued by the CNK. PFS also informed that they are expecting preliminary findings on balance observation related to other loan accounts, if any, at earliest.
10 Oct 2022	The company secretary sent the mail to inform CNK that they are sharing the link of the board Meeting to join at 11am on 11th October 2022
11 Oct 2022	**CNK sent balance Preliminary Findings II for:** • **3 Loan accounts (18 pages) and** • **Corporate Governance (22 pages and 25 pages of exhibits).** **Further, CNK informed that the verification process has been only temporarily kept on hold – the teams may need to visit PFS to verify additional documents / exhibits basis the response to the preliminary findings I and II. Also, that final view on the preliminary findings (sent on 23 September 2022 and as enclosed) along with a reproduction of the responses from the company for those respective points included**

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	therein will be issued as draft report/s. CNK also informed that they are working for an early closure of the assignment.
11 Oct 2022	**Himanshu Kishnadwala, senior partner of CNK attended the board meeting wherein discussion was on the timelines of the forensic Audit. No time commitment was given by CNK since the process was on-going.**
12 Oct 2022	In response to CNK mail of 7 October 2022, PFS informed that in respect of the preliminary findings received on 23rd September 2022, CNK are requested to confirm their availability for discussions in our office at the earliest to ensure the closure of forensic audit as per the timelines discussed in board meeting on 11 October 022.
13 Oct 2022	It was informed to PFS that 2022 CNK are in the process of reviewing the response to the preliminary findings sent on 7 Oct 2022 and requested to send response to Preliminary Findings II sent on 11 October 2022. Also, CNK will be shortly sending list of further documents mentioned in PFS response which CNK needs to validate since they were not part of exhibits. Further, based on the above and PFS response on the preliminary findings II, CNK will be sending a draft report to the Board for their consideration.
13 Oct 2022	The company secretary mailed CNK in reference to Board meeting held on 11.10.2022 that the company looks forward to a timely completion of the ongoing forensic audit and the Board resolved in the meeting that "CNK shall submit draft report on or before 19th Oct, 2022 for management comments and final report by 25th Oct, 2022". The Board also discussed that CNK team and PFS Team at the earliest discussed the observations for effective and earliest closing of the report.
14 Oct 2022	PFS sent the updated remarks and the list of additional requirements basis the response received for CNK Review.
14 Oct 2022	CNK responded to PFS on the mail of 13.10.2022, enclosing list of documents mentioned in PFS response dated 7 Oct 2022 which CNK needs to validate since they are not part of exhibits and that a team member of CNK will visit PFS office on Monday 17 October 2022 for the same.
14 Oct 2022	CNK replied to the CS mail dated 13.10.2022 reiterating the same points as above. On the same date the company secretary replied to CNK that PFS would be having Audit Committee meeting tomorrow i.e. 15 October 2022 at 3.30 PM and to make yourself available for the same. CNK replied that it is difficult to attend the meeting of Audit Committee at such short notice, since the senior partner of the CNK is at Chennai and will be on road at that time.
14 Oct 2022	PFS sent response for CNK preliminary findings dated 11 October 2022 on additional loan accounts
14 Oct 2022	PFS informed that all the available loan files for the respective loan accounts requested by CNK have been provided by PFS to CNK. Further, all the e-mails marked to the MD & CEO on his mail ID of domain "ptcfinancial.com" is set as Auto-forward to "ptcindia.com" domain.
15 Oct 2022	The CS again requested CNK to make available for the Audit committee meeting that day at 3.30 pm. CNK replied that senior partner will be on road within Chennai with my other office partners but will plan to be at some coffee shop around 3.30 to 3.45 for about 30 minutes to take the call.

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	In the afternoon, mail sent that he is at coffee shop since 3.40 and will have to leave latest by 4.30. He joined the Audit Committee for about 45 minutes and explained his perspective about few points in the preliminary findings and timelines.
15 Oct 2022	PFS sent mail referring to the discussion in today's Audit Committee meeting and that CNK to provide draft report within 4 days
15.Oct 2022	PFS requested CNK to visit PFS office on most priority for having management discussions
16 Oct 2022	CNK informed PFS that as regards the trailing mail dated 14 October 2022, CNK needs a signed declaration from the MD&CEO (or any person authorised by him in writing) that all documents / reports / emails / minutes / agenda papers related to the points as per the scope of the forensic audit have been given to CNK and that the same was also pointed out by the independent director [redacted] in the Board meeting of 11 October 2022 which CNK was invited to attend for part of the time.
16 Oct 2022	CNK replied to PFS mails dated 15.10.2022 that the review and verification of the responses received to CNK preliminary findings is in progress (the last received late evening on 14 October 2022). **CNK also referred to the discussions in the audit committee wherein there was a mention of a report by another consultant (EY) obtained by the company on the preliminary findings of CNK (of 23 September 2022) and on which PFS management relied upon while giving responses to the preliminary findings. The same report was apparently also mentioned by the Chairman of PFS in the Board Meeting of 11 October 2022 in the interaction with us. The obtaining of such a report was a surprise to CNK and a copy was requested for review.** Further, once the above processes are complete, a draft report will be issued expeditiously.
17 Oct 2022	**CNK further informed PFS that in continuation of CNK trailing mail, CNK finds the sharing of the preliminary findings with an external agency without approval, highly irregular, if not breach of confidentiality and that CNK is exploring legal options for the same.**
17 Oct 2022	PFS replied to CNK mail dated 15 October 2022 that PFS have provided relevant documents to CNK team visited PFS office today. PFS have been informed that the person visited is not authorized for any discussions and once again requested CNK to visit PFS office on most priority for discussion on draft report so as the forensic audit may be completed within 4 days from the date of Audit Committee meeting
18 Oct 2022	PFS sent response to CNK preliminary findings on Corporate Governance issues.
19.Oct 2022	PFS again informed CNK that the draft report of forensic audit is to be made available by 19th October 2022. CNK replied to the same that they are in the process of reviewing the responses to the preliminary findings (the last of which on Corporate Governance was received only yesterday evening). Based on the same, draft reports will be issued – a prior discussion with the management will also be requested, if required, for the same.
21 Oct 2022	**CNK informed PFS that CNK team are currently working on issuing draft report/s for:**

	• **Loan Accounts;** • **Appointment of Mr Ratnesh;** • **Corporate Governance matters.** **Further, it was once again requested to share a copy of the report of the external consultant which CNK would need to review before issuing the above draft report/s. This will be without prejudice to right of initiating legal action against the company and/or the consultants for sharing of confidential information to outsiders.**
21 Oct 2022	**PFS shared the report of EY as requested by CNK.** Reply by CNK that the EY report as well as the response received on preliminary findings is being looked into.
24 Oct 2022	**Submission by CNK of Draft Reports on Loan Accounts, Appointment of [redacted] and Corporate Governance matters**
24 Oct 2022	e-mail by PFS mentioning that all responses to the preliminary findings were not included in the draft reports and displeasure regarding CNK questioning the assistance taken by PFS from [redacted] on preliminary findings
26 Oct 2022	Email from CS that as per the Board meeting dated 25 October 2022 he final report was to begiven by 30 October 2022
27 Oct 2022	Reply by CNK strongly objecting to the language of the mail sent on 24 October 2022. Also, that CNK has resumed office today after the Diwali break. Further, as desired by the management, 2 senior persons involved in the audit process intend to visit PFS office for discussions on 29 Nov / 31 Oct as convenient to the management.
27 Oct 2022	Mail by PFS that statutory auditor of PFS wants to have a meeting with CNK to understand the draft report. Also, PFS request to send the final report by 30 Oct 2022
27 Oct 2022	Reply by CNK that CNK team can visit PFS office for draft report discussion earliest by 29 Oct 2022. Also, that regarding discussion with statutory auditors, a call can be done as mutually convenient.
27 Oct 2022	Mail by CNK informing 2 senior team members will visit PFS office for draft report discussion on 29 Oct 2022.
28 Oct 2022	PFS provided responses to the draft reports issued by CNK in 6 mails. (mails received between 10-11 pm) **Also confirming visit on CNK on 29 Oct 2022 and again requested to send the Final Report by 30 Oct 2022.**
29 Oct 2022	Meeting between 2 CNK senior team members and PFS officials at PFS Office, New Delhi for discussion on draft reports. Minutes of the meeting shared by PFS in evening
31 Oct 2022	Reply by CNK that responses to draft report and the discussions on 29 October are being looked into and final report will be issued expeditiously.
31 Oct 2022	PFS requesting for issuance of final report on urgent basis.
01 Nov 2022	Statutory Auditors of PFS replied to CNK mail dated 27th Oct 2022 and asked for the convenient time from CNK to have the meeting on 3 November 2022. A meeting was fixed on 3rd Nov 2022 Thursday at 5 pm.
03 Nov 2022	PFS mailed CNK asking immediately for the final report. CNK replied that **the response on the draft reports was received around 10-11 pm on 28 October 2022. On the very next day, CNK's 2 senior persons had visited the PFS office for discussions. Also, from 31 October 2022, the team is working on finalising the reports and that the deadline of 30 October 2022 mentioned in PFS mail was**

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	unilateral, without CNK concurrence, and not feasible or practical at all. Also, the interaction with the statutory auditors for their views on the draft reports was scheduled today i.e. 3 Nov 2022 at 5 pm and that their views on the draft reports need to be considered.
3 Nov 2022	Call with Statutory Auditors of PFS in presence of management officials to discuss the draft report on loan accounts
4 Nov 2022	**Final Reports issued by CNK**

V. Methodology followed by CNK:

The CNK team involved in the verification process consisted of:

Sr. No.	Name of CNK team	Designation
1.	Himanshu Kishnadwala	Senior Partner
2.	Tapan Shah	Senior Manager
3.	Sohil Kapasi	Senior Manager
4.	Gollapudi Venkata Naga Sriharsha	Audit Associate (IT)
5.	Aarzoo Jain	Audit Executive
6.	Vindhya Singh	Audit Executive
7.	Alisha Nandwani	Assistant

Our verification was based on the scope and data provided to us. There were several limitations which we faced in our verification which are highlighted in section VII of the preliminary findings.

The following broad methodology was followed:

- Overview of the Company's Functions, Organisation Structure, Delegation of Authority (including changes over the period);
- Review of the points stated in the resignation letters of the Independent Directors;
- Communication and documents related to the appointment of Mr. Ratnesh;
- Documents and Communication for the sample Loan accounts selected (as per the scope mentioned in the EL),
- Correspondence by the ex-Company Secretary (by reviewing the pst files for emails) and discussions with him;
- Reviewing the pst file/s of the MD & CEO for emails
- Review of reports related to B, C and D above as commissioned by the Company, the holding company and other external agencies / regulators;
- Review of Minutes of the Board, Audit Committee, NRC and other Committees of the Board (in some selected meetings, video recordings were called for);
- On-going discussion on the above with the Company's designated personnel (email / on call / personal meetings);

Emails were sent to the company for the requirements and data was either shared physically or uploaded on a shared drive, to which access was given to CNK team.

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Preliminary findings, management responses to the preliminary findings, draft reports, management response to the draft reports and final report were issued as under:

Particulars	Date
Preliminary findings I: • Background, scope, chronology of events, methodology, challenges and limitations, disclaimers • Preliminary findings for 12 Loan Accounts • Preliminary Findings for appointment of Mr. Ratnesh	23 September 2022
Preliminary findings II: • Preliminary findings for 3 Loan accounts • Preliminary findings on Corporate Governance matters	11 October 2022
Response of management on preliminary findings issued on 23 September 2022	7 October 2022
Response of management on preliminary findings issued on 11 October 2022 on 3 Loan accounts	14 October 2022
Response of management on preliminary findings issued on 11 October 2022 on Corporate Governance matters	18 October 2022
Draft reports issued by CNK	24 October 2022
Response of management on draft reports issued on 24 October (see note)	28 October 2022
Final reports containing: • Background, scope, chronology of events, methodology, challenges and limitations, disclaimers • Loan Accounts • Appointment of [redacted] • Corporate Governance matters	04 November 2022

Note: Responses given by the management on the CNK observations in the draft reports have been reproduced in the final report at the end.

VI. CNK Draft Report on Loan Accounts:

Based on the methodology followed, draft observations on Loan Accounts are annexed as Part II of the report (235 pages + 225 pages for annexures containing management response to the draft report).

Name of Borrower	
I.	[redacted]
II.	[redacted]
III.	[redacted]
IV.	[redacted]
V.	[redacted]
VI.	[redacted]
VII.	[redacted]
VIII.	[redacted]
IX.	[redacted]
X.	[redacted]
XI.	[redacted]
XII.	[redacted]
XIII.	[redacted]
XIV.	[redacted]
XV.	[redacted]

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VII. CNK Draft Report on appointment of Mr. Ratnesh

Based on the methodology followed, draft report related to appointment of Mr.[redacted] are annexed as Part II of the report (204 pages).

VIII. CNK Draft Report on Corporate Governance (Other than those already highlighted in VI and VII.

Based on the methodology followed, draft report related to Corporate Governance issues are annexed as Part III of the report (122 pages).

IX. Challenges faced and Limitations

During the course of our verification process, several challenges were faced by us.

A major challenge was the nature of the allegations and the manner of conduct of the assignment itself – where the data to be provided for our verification was to be by the same team against whom there were allegations by the independent directors who had resigned. Ideally, the set of persons from the company against whom there were allegations should not have been involved in the process.

Some of the challenges faced / limitations are given below – our Final Reports are to be read alongwith the below observations:

a) There was resistance and non-cooperation in providing information from the very beginning. Also, soft copies of the required documents and minutes, etc. were not provided initially for a few weeks, making the team's job time consuming in reading through the lengthy minute books, etc. and making notes of points for the reports. Further, though access to the company's system was provided in the initial 1-2 weeks, our team was not allowed to take any extracts from the minutes, which may have been relevant for our reporting. It was only after some pressure from us and, as we understand, from the regulators, that soft copies of the minutes were made available;

b) The information provided was incomplete and given in physical form (not electronic), with gaps in some critical data. To illustrate, we could not find in the selected Loan files, some minutes of meetings, reports on various related matters (commissioned by the company or the holding company or external agencies). This delayed the process since CNK had to first identify those gaps (from email trails, other documents which had a reference to the same, etc.), and then call for related documents / reports;

c) There has been further resistance in providing certain documents/reports, and in some cases, the existence of such reports has been repeatedly denied. To illustrate, in minutes of meeting of the Audit Committee dated 30th July 2021, there is a reference to a report on HR related matters by [redacted] which was presented at that meeting. The [redacted], in our meeting with him at PFS office in presence of a PFS representative, also confirmed that such a report was available. However, the management has not yet provided such report, and in fact, continuously denies the existence of such report in PFS;

d) Access to the following crucial information, which, in our opinion, was necessary for the conduct of the assignment, has been denied to us, despite our specific requests:

   i. Details of the payments made through corporate cards (though company had given mail confirmation that no transaction was above Rs. 5 lakhs during the period – however no data was provided for verification), approvals and adherence to policy for major expenses like payments to consultants, business promotion, travelling, etc. for the period 1st April 2019 to 30th June 2022, review of which is essential from the perspective of corporate governance;

ii. Report of PWC on HR related matters as per internal discussion in Audit Committee meeting dated 30th July 2021, as referred to above.

iii. Sequence of the event of appointment / reappointment / promotion of persons for position of M3 and above – including copy of the agenda / minutes of the Board / NRC with proper Listing for the period 1st April 2018 to 30th June 2022, which is essential for review of HR related governance matters;

iv. Agenda and Minutes for Board And other Committee meetings held from 1st April 2022 to date.

e) Another limitation was that the company constantly kept on insisting that documents / reports/ information beyond the period from 1st April 2019 to 31st March 2022 was outside the scope. Such information sought for by CNK was not roving in nature and was very selective to have a proper understanding of the sequence of events and compliance of the processes and regulations for the selected samples;

f) There was also tremendous pressure put on the timeline of '4-6 weeks' as mentioned in the EL. CNK was pointing out time and again that the terms of the EL clearly indicated that the said timelines would need to be reckoned from the time complete information was provided by the company. In case the delays in providing information and data in electronic form is taken into account, the timelines are as per the EL;

g) There was also tremendous pressure put on the fact that weekly discussions with the management were to take place on the as mentioned in the EL. For the same, CNK had repeatedly pointed out that it was hesitant to do these discussions since the observations were against the same management and discussions could have impacted the verification process – this was also communicated to the Board. A full-day discussion was finally held by the CNK senior team with the PFS management team on 29 October 2022 to discuss the management response on the draft reports and understand the views of the management;

h) A confirmation, signed by a senior official of PFS, that was repeatedly sought by CNK from PFS that all information on the selected samples and areas of verification had been provided by the company has not been forthcoming. There is only a general email from the 'PFS Forensic Audit Team' and from a common email id, that all information has been provided. On our repeated requests, this mail was signed by 5 officials of the company (and not by the MD & CEO) and a scanned copy sent to us. In our view, this does not suffice to confirm the completeness of the information provided.

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X. Disclaimer:

1. This report has been prepared based on the records, data and information provided to us and relevant provisions of the applicable statutes;

2. **This report is for internal use or circulation to the Management, the Board, its Committees and Regulators;**
Note: Inspite of the fact that the preliminary findings carried a similar restriction of not sharing the same with any outsiders, the company had in breach of the said confidentiality and without CNK concurrence, appointed an external consultant [redacted] in August 2022 to assist the company to respond to the preliminary findings. This was highly irregular and unprofessional – both on behalf of the company and the said consultant. The company also never informed us of the same – we became aware of the same during the deliberations at the Audit Committee on 15 October 2022 which we were invited to.

3. Possession of this report, or a copy thereof, does not carry with it the right of publication of all or part of it nor may it be used for any other purpose, without the written consent of CNK;

4. No changes to any item in this report shall be made by anyone other than CNK. CNK shall not be responsible for any such unauthorised change.

VI. CNK Report on Loan Accounts

INTRODUCTION

As per the scope of the forensic audit, CNK had selected 35 borrower accounts. These were intimated to the company in 4 tranches. Though as per the scope, the verification was for the period 1st April 2019 to 31st March 2022, for the sake of completeness and understanding of the compliance with the processes and regulatory norms, information (especially electronic) was also sought for the earlier / later periods. The said information was provided after much resistance, and in many cases, was provided in bit and pieces, making the verification difficult and also delaying the process.

Sr. No	Particulars	Date
1.	Preliminary Findings sent to management on 12 loan accounts	23 September 2022
2.	Response to Preliminary findings on 12 loan accounts	07 October 2022
3.	Preliminary Findings sent to management on 03 loan accounts	11 October 2022
4.	Response to Preliminary findings on 03 loan accounts	14 October 2022
5.	Visit to PFS office to verify additional exhibits mentioned in the response of management to preliminary findings	17 October 2022
6.	Draft report	24 October 2022
7.	Reponses to Draft Report	28 October 2022
8.	Meeting for discussions on draft report	29 October 2022
9.	Final Report	04 November 2022

While issuing the draft report and final report, the responses received from PTC India Financial Services Limited (hereinafter referred to as management / PFS / Company) were considered. Changes, as required, have been incorporated for the management responses in this report.

It maybe pertinent to point out that many of the responses of the management (for which, external professional assistance was sought without our approval by sharing our confidential preliminary findings/Draft report with them which is highly unprofessional) were repetitive, critical, and harping on the point that the verification was beyond scope or beyond the period covered in the Engagement Letter (EL). Our view in the matter is that though an initial period was mentioned in the EL, we have requested for documents for the earlier / later period/s and have included our findings on the same to the extent these documents were made available.

It has also been represented by the management that there is no 'material' financial impact quantified on the observations. Our view in the matter is that for several of our observations, there is a possible financial impact on account of under-provisioning / classification / reporting on financial parameters in the financial statements or reporting to regulators in the respective periods. To ascertain the same, we believe the audit committee and / or the regulators will be best suited to requisition the complete details.

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Our report on the Loan accounts given hereunder are for 15 loan accounts, which we believe adequately capture 20 instances of discrepancies and non-compliance with the internal processes of the company or the regulations. Some of these findings may also have implications on the financial statements, which need to be evaluated by the company in discussion with the Audit Committee and / or as directed by the regulators. Further, in many cases, the management seems to have exceeded its powers, but the same was not sought to be regularised or informed to the Board in a timely manner.

The list of the 15 Loan accounts and a tabular summary of the 20 instances of discrepancies across these 15 Loan accounts is given below:

Sr No.	Name of Lender
I	[redacted]
II	[redacted]
III	[redacted]
IV	[redacted]
V	[redacted]
VI	[redacted]
VII	[redacted]
VIII	[redacted]
IX	[redacted]
X	[redacted]
XI	[redacted]
XII	[redacted]
XIII	[redacted]
XIV	[redacted]
XV	[redacted]

List of Discrepancies noticed

Sr No.	Nature of Discrepancy
1	Modifications in critical sanction conditions post sanction approval from Board: a) Security/Pre-disbursement condition/ Rate of Interest modification; b) Extension of Timelines for commitment/ drawdown Conditions/ availability period
2	Non-Compliance of Pre-Disbursement condition
3	Non-Compliance of Security creation clause
4	Disbursement for clearing over dues / Manipulation of the Loan Book.
5	Weak monitoring controls (Incomplete/wrong information in UDIN)
6	Modification regarding initial disbursement date vs loan documentation date
7	Loan considered as Project loan (as against term loan as originally sanctioned) for purpose of grant of extension of timeline for scheduled COD
8	Comments on Due Diligence and Legal opinion not considered by PFS
9	Non verification of No-Default certificate from Statutory Auditor of NSL.
10	Delays in attending to hearings of Hon'ble Supreme Court leading to a delay in resolution of the account.
11	Delayed presentation of One Time Settlement offer (OTS) to Board.
12	Delayed Presentation of Forensic Audit report to the Board of Directors
13	Non monitoring of stress in the account
14	End Use Certificate not obtained

15	Delayed compliance with Board Directive
16	Disbursement done despite slow progress
17	Disproportionate disbursement of funds
18	Rate of Interest not at as per policy
19	Curtailment of CRO powers
20	Disbursement despite diversion of funds by the borrower

Matrix showing Loan Accounts and observations:

Sr.No	Observations	Borrowers														
		I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	XIII	XIV	XV
1	Modifications in critical sanction conditions post sanction by Board of Directors viz. ***a. Security/Pre-disbursement condition/ Rate of Interest modification.*** ***b. Extension of Timelines for commitment/ drawdown Conditions/ availability period***	✓		✓		✓			✓							
2	Non-Compliance with Pre-Disbursement condition	✓			✓	✓			✓	✓						✓
3	Non-Compliance with Security creation clause	✓					✓		✓		✓					
4	Disbursement for clearing overdues/ Manipulation of the Loan Book.		✓		✓ ✓	✓		✓		✓		✓		✓		✓
5	Weak monitoring controls (Incomplete/wrong information in UDIN)		✓				✓									
6	Modification regarding initial disbursement date vs loan documentation date	✓														
7	Loan considered as Project loan (as against term loan as originally sanctioned) for purpose of grant of extension of timeline for scheduled COD	✓														
8	Comments on Due Diligence and Legal opinion not considered by PFS	✓														
9	Non verification of No-Default certificate from Statutory Auditor of NSL.	✓														
10	Delays in attending to hearing of Hon'ble Supreme Court leading to a delay in resolution of the account.	✓														
11	Delayed presentation of One Time Settlement offer (OTS) to Board.	✓														
12	Delayed Presentation of Forensic Audit report to the Board of Directors.	✓														
13	Non monitoring of stress in the account.	✓														
14	End Use Certificate not obtained.		✓													

Sr.No	Observations	Borrowers														
		I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	XIII	XIV	XV
15	Delayed compliance with Board Directives			✓												
16	Disbursement done despite slow progress.				✓										✓	
17	Disproportionate disbursement of funds.						✓									
18	Rate of Interest not as per policy										✓					
19	Curtailment of CRO powers												✓			
20	Disbursement despite diversion of funds by the borrower															✓
Total Observations		**11**	**3**	**2**	**4**	**3**	**3**	**1**	**3**	**2**	**2**	**1**	**1**	**1**	**1**	**3**

Note: Meaning of 'Evergreening'

An evergreen of loan is a revolving loan that provides the borrower a line of credit that can be renewed indefinitely, provided the borrower consistently pays off the loan balance and meets other criteria. Evergreening is a practice by which a bank restructures loan repayments or masks loan defaults by giving new loans to help defaulting borrowers repay or pay interest on old loans. Evergreening is a ploy to mask loan default by giving new loans to help delinquent borrowers repay or pay interest on old loans.

Extracts from RBI Master Circular – Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances – April 1, 2022
13 – Supervisory Review
Any action by lenders with an intent to conceal the actual status of accounts or evergreen the stressed accounts, will be subjected to stringent supervisory / enforcement actions as deemed appropriate by the Reserve Bank, including, but not limited to, higher provisioning on such accounts and monetary penalties*.

*As per Prudential Framework for Resolution of Stressed Assets – June 7, 2019*23. ***Any action by lenders with an intent to conceal the actual status of accounts or evergreen the stressed accounts, will be subjected to stringent supervisory / enforcement actions as deemed appropriate by the Reserve Bank, including, but not limited to, higher provisioning on such accounts and monetary penalties*.***
****This may be in addition to direction to bank/s to file insolvency application under the IBC.***

As per comments on clause 52 of the Guidance Note of the Institute of Chartered Accountants of India on Companies Auditors' Report Order, 2020 (CARO 2020).
This clause is a new reporting requirement. This clause requires reporting in respect of loan or advance in the nature of loan granted which has fallen due during the year and has been renewed or extended or fresh loans granted to settle the overdues of existing loans given to the same parties. This clause is inserted to identify instances of 'evergreening' of loans /advances in nature of loans. [Note: The term 'evergreening' is not defined in the Act. However, in general parlance it implies an attempt to mask loan default by giving new loans to help delinquent borrowers to repay/adjust principal or pay interest on old loans.]

Extract of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 (updated July 22, 2022)
As per para 1.3 of above circular "NBFCs have been allowed to fund cost overruns, which may arise on account of extension of DCCO within the time limits quoted at (iii)(a) to (b) above, without treating the loans as 'restructured asset' subject to the following conditions:

i. *NBFCs may fund additional 'Interest During Construction', which may arise on account of delay in completion of a project;*

ii. *Other cost overruns (excluding Interest During Construction) up to a maximum of 10% of the original project cost. This ceiling is applicable to financing of all other cost overruns (excluding interest during construction), including cost overruns on account of fluctuations in the value of Indian Rupee against other currencies, arising out of extension of date of commencement of commercial operations;*

iii. *The Debt Equity Ratio as agreed at the time of initial financial closure shall remain unchanged subsequent to funding cost overruns or improve in favour of the lenders and the revised Debt Service Coverage Ratio shall be acceptable to the lenders;*

iv. *Disbursement of funds for cost over runs shall start only after the Sponsors/Promoters bringing their share of funding of the cost overruns; and*

v. *All other terms and conditions of the loan shall remain unchanged or enhanced in favour of the lenders."*

CNK Comments

During our verification of Loan accounts, we observed instances where disbursements were done for clearing overdue interest / loan installments. During discussions with the management, views was expressed that 'evergreening' can be invoked only if a fresh loan is granted to facilitate repayment of overdue interest / instalment of an existing loan. It was also represented by the management that these instances were in line with the industry practice and allowed as per RBI Directions.

In our view, disbursements done for clearing overdue interest / loan installments also amounts to 'evergreening', though the same were done within the original sanction. The term 'evergreening' carries a much wider meaning, since, such actions helps a lender mitigate the chances of classification of the account as NPA and subsequent provisioning and reporting. Further, in cases where disbursements were done due to delays in Date of Commencement of Commercial Operations (DCCO) of the project, there was no documentation available that all conditions as per the RBI Directions were complied with.

For several of our observations on 'evergreening', there could be a financial impact on account of under-provisioning / classification / financial parameters in the respective periods.

Index of Preliminary Findings, Management and CNK Responses and Exhibits

CNK & Associates LLP MUMBAI Chartered Accountants

I. [redacted]

Index

Sr.No	Observation
A.	Modifications in critical sanction conditions post sanction approval from Board of Directors (BOD)
B.	Modification regarding initial disbursement date vs loan documentation date
C.	Loan considered as Project loan (as against term loan as originally sanctioned) for purpose of grant of extension of timeline for scheduled COD
D.	Comments on Due Diligence and Legal report not considered by PFS
E.	Non verification of No-Default certificate from Statutory Auditor o[redacted]
F.	Delays in attending to hearings of Hon'ble Supreme Court leading to a delay in resolution of the account
G.	Delayed presentation of One Time Settlement offer (OTS) to Board
H.	Delayed Presentation of Forensic Audit report to the Board of Directors
I.	Non-Compliance of Pre-Disbursement condition and misrepresentation to Reserve Bank of India (RBI)
J.	Security creation not complied
K.	Non monitoring of stress in the account
CNK Conclusion	
Exhibits (IA to IN)	

Background:

PFS had sanctioned a bridge loan of Rs. 125 crores in the 57th Board Meeting held on 28th January 2014 to [redacted] which was setting up a coal-based project in [redacted] district of [redacted] The bridge loan was carved out of term loan of Rs 150 crores sanctioned by PFS in June 2013 as a part of consortium lending led by [redacted] co-lenders being [redacted] and [redacted]

Summary:

S.No	Particulars	Comments
1.	Name of Account	[redacted]
2.	Amount Sanctioned	Rs. 125 Crores Bridge Loan
3.	Date of Board Approval	57th Board Meeting dated 28th January 2014
4.	Date of Loan Agreement Execution	10th March 2014
5.	Group Exposure (at the time of Sanction)	Rs. 400 Crores
6.	Status of Loan Account	Stage 3

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Preliminary observations for the above

A. Modifications in critical sanction conditions post sanction approval from Board of Directors (BOD):

Sr. No	Existing Condition	Amended Clause
As per PFS letter dated 25 February 2014		
a)	**Security:**	
	100% pledge of shares of the borrower company equivalent to the total paid up capital at the time of disbursement of bridge loan.	100% pledge of shares of the borrower company equivalent to the total paid up capital to be pledged in the following manner; a) 85.53% shares of project company held by [redacted] to be pledged in demat form upfront; b) 14.47% share of project company held by [redacted] to be pledged in demat form within 60 days from first disbursement. Additional 1% interest p.a. shall be charged from 61st day, in case the balance shares are not pledged within stipulated timeline. [redacted] to give undertaking that its shares in the project company shall be pledged to PFS only and within stipulated time period.
PFS internal letter dated 10 March 2014 pursuant to request letter of [redacted] for change in terms and conditions as below against the original sanction letter dated 5 February 2014 and 25 February 2014		
	Condition as amended vide letter dated 25 February 2014	**Amended Clause**
b)	**Security:**	
	100% pledge of shares of the borrower company equivalent to the total paid up capital to be pledged in the following manner; a) 85.53% shares of project company held by [redacted] to be pledged in demat form upfront. b) 14.47% share of project company held by [redacted] to be pledged in demat form within 60 days from first disbursement. Additional 1% interest p.a. shall be charged from 61st day, in case the balance shares are not pledged within stipulated timeline. [redacted] to give undertaking that its shares in the project company shall be pledged to PFS only and within stipulated time period.	Minimum 85.54% pledge of shares of the borrower company to be pledged in following manner; a) All shares of project company held by [redacted] to be pledged in demat form (including 50 shares held by nominees in physical form) upfront except for additional shares amounting to Rs. 295 crores allotted on 10 February 2014 which shall be pledged within 30 days' time from the date of documentation. b) Shares of project company held by [redacted] to be pledged in demat form in case of the shareholding of [redacted] reaches to 14.47% c) The borrower to give an undertaking that prior consent of PFS shall be taken for increasing shareholding of [redacted] to 14.47% from current 2.55% and to pledge the same when the shareholding of [redacted] reaches 14.47% of total shareholding at any point of time.

The above changes have been carried out by management without any communication to the Board of Directors. This change has also led to a modification in the security cover available with PFS against the Board approved sanction terms.

B. Modification regarding initial disbursement date vs loan documentation date:

Basis email communication from [redacted] (PTC India) to [redacted] (PFS) dated 10 March 2014 wherein correction has been made in sanction letter for [redacted] bridge loan in relation to penal for non-creation of security.

Earlier Term	Modified Term
Additional interest of 1% pa will be charged from 61st day from the **initial disbursement date**	Additional interest of 1% pa will be charged from 61st day from the **Loan documentation date**
If security is not created in 120 days from **initial disbursement date**, PFS shall have right to declare event of default (EOD)	If security is not created in 120 days from **Loan documentation date**, PFS shall have right to declare EOD

Though the above changes may not materially impact the company, the above were unilaterally done by the PFS legal team in the loan agreement on the same date as the date of loan documentation.

We have not been able to obtain and verify the fact whether such modifications were subsequently presented to the Board for their approval.

Given below is the email communication for such modification, however there is no internal approval note available for the same, which indicates that the modifications were done suo-moto by the company officials.

In our view, being a stringent modification, internal approval should have been taken for the same.

From: [redacted]@ptcindia.com]
Sent: Monday, March 10, 2014 12:00 PM
To: [redacted]
Cc: [redacted]
Subject: [redacted] Bridge Loan: Typographical Error in Sanction Letter
Attachments: Sanction Letter Scanned Copy.PDF

PFS Power Financing made Simpler

Dear [redacted]

With respect to following clause, please find below clarification with respect to the clause as it was inadvertently captured as 'from initial disbursement' rather than 'from loan documentation date':

...for non-...	In case of non-creation of security as specified above within the stipulated period, additional interest of 1% per annum with monthly rest over and above the applicable interest rate shall be charged for all security from initial disbursement except for security no. 'Security B (iii)(b) for which the above mentioned additional interest will be charged from 61st day from the loan documentation date. If the said security is not created within 120 days from loan documentation date, PFS shall have the right to declare EOD.

Best Regards,
[redacted]

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C. Loan considered as Project loan (as against term loan as originally sanctioned) for purpose of grant of extension of timeline for scheduled COD

The Board in its 57th Board Meeting held on 28 January 2014 had sanctioned Rs. 125 crore bridge loan as a sub limit of the long-term debt facility to [redacted] for setting up of coal plant by the borrower. Bridge loan agreement was executed on 10th March 2014 and subsequently disbursement of the entire bridge loan facility was made on 12 March 2014.

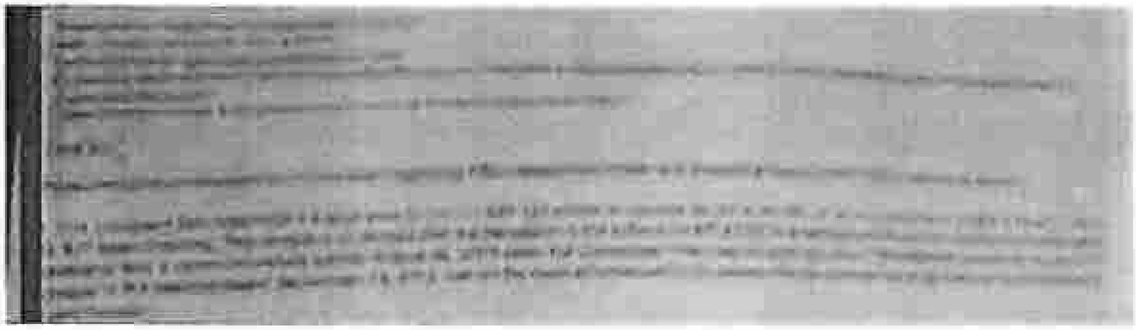
The conduct of the account was not satisfactory as loan account showed first signs of stress as early as October 2014, i.e., within 6 months from the date of disbursement.

Subsequently basis the letter dated 16 September 2015 from [redacted], there have been a request for deferment of repayment of principal amount by one year from June 2015 to September 2016 on account of delay in project implementation and changes in assumptions, leading to delays in signing of PPA and FSA.

Accordingly, an agenda note was put up by PFS for extension of timeline for scheduled COD and for extension in validity of long-term loan and deferment in repayment of bridge loan. PFS in its 71st meeting of the Board held on 16th September 2015, approved revised SoD and other recommended changes.

It maybe noted that the extension of timeline for scheduled COD is applicable for loans which are originally sanctioned as Project loans. In the given scenario, the Board has approved the bridge loan as a sub-limit of the Long-Term loan and not as Project Finance. Hence the extension of the SCOD is in violation of the principal sanction terms of the loan.

Similar observation was also highlighted by RBI vide their email dated 14 February 2022 to the Company as reproduced below;



In our view, the response provided by Company for the above RBI query that '*the modifications pertaining to extension has been duly approved by Board*' is factually incorrect and wrongly communicated.

D. Comments on Due Diligence and Legal report not considered by PFS:

As per clause 5.15 (xix) and clause 5.15(xx) of the facility agreement, PFS had a right to carry on Due diligence of [redacted] and its promoters for the purpose of availment of bridge loan by [redacted]. It was also stipulated therein that PFS shall have received a legal opinion to its satisfaction regarding any restrictions by lenders of [redacted] and [redacted] group companies of [redacted] for declaration of dividend by respective companies.

Basis the legal due diligence report dated 22 March 2014, issued by [redacted] the following comments have been observed in relation to land agreement between [redacted] and [redacted] The said land has been offered as under mortgage security to PFS for the purpose of bridge loan by the borrower.

> (d) The [redacted] is restricted from assigning or transferring or encumbering or part with interest in part or whole in any manner whatsoever without the previous approval in writing of [redacted] The Land Deed further states that notwithstanding anything in the Land Deed, the [redacted] with the previous consent in writing of
>
> [redacted]
>
> Page 71

However, basis the legal DD report, original stipulated condition in the above land agreement executed between [redacted] and [redacted] for obtaining of waiver from [redacted] for creation of security interest by borrower in favour of PFS was not complied with/not confirmed by Borrower. (relevant extracts of the said report produced below):

> [redacted] can assign or transfer his interest in the property in favour of any scheduled bank/financial institution/[redacted]
>
> *Note: [redacted] to confirm whether any consent or any waiver from [redacted] has been sought and obtained regarding the above.*

PFS has accepted the mortgage without obtaining the NOC from [redacted] In our view, this mortgage which is the only basic tangible security in this loan account has become infructuous on account of non-obtaining of such NOC from authority.

> written approval of the [illegible]
>
> (xix) the Bridge Loan Lender shall have right to carry out the due diligence of the Borrower/ Promoter for availing the Bridge Loan and due diligence of a [illegible] group company to review the prevailing restriction by their lenders for declaration of dividend by Nuziveedu Seeds Limited and [illegible] Borrower shall reimburse the expenses incurred by the Bridge Loan Lender for carrying out the above due diligence
>
> (xx) The Bridge Loan Lender shall have received a legal opinion to the satisfaction of the Bridge Loan Lender regarding any prevailing restrictions by respective lenders of [redacted] and [redacted] [illegible] declaration of dividend by respective companies

E. Non verification of No-Default certificate from Statutory Auditor of [redacted]

As per clause 5.1.7 of the facility agreement, 'No default' certificate is to be furnished by Statutory auditors of [redacted] and of the promoters to the satisfaction of Bridge loan lender (i.e. PFS) that;

- Neither the borrower, the promoter nor any director is on RBI caution or default list of any lenders;

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- No default has occurred or is continuing by the borrower /promoter or any of their directors in relation to repayment of any loan /financial assistance /existing borrowers and there has been no major delays in statutory dues by the borrower or promoter in last 3 years;
- None of the directors have been disqualified under Companies Act.

The certificate dated 26 February 2014 as obtained from Statutory Auditors includes the following:

- Statutory Auditor has not provided confirmation whether the borrower, the promoter or any director is on the RBI caution list or not;
- Statutory Auditor has highlighted defaults / delays amounting to Rs 1.85 crores by the company in payment of Statutory Dues. (as given below);

☎ 0863 - 2233761

[redacted] **CHARTERED ACCOUNTANTS**

11/1, Arundelpet, GUNTUR - 522 002
e-mail : auditreport@gmail.com

Date.................................

Annexure – I

Deducted at Source dues details for the last three financial years

culars	2011-12	2012-13	2013-14
Payable on Interest	-	3,959,452	2,225
Payable on Contracts	-	-	147,569
Payable on Brokerage &Commission	-	-	25,326
Payable on Rent	-	-	361,467
Payable on Professional charges	-	-	3,714,964
Payable on Salaries	-	-	10,256,598

[redacted] [redacted]
CHARTERED ACCOUNTANT
PARTNER

In our view, PFS (either deliberately or negligently) did not analyse the implications of the above observations with respect to the conduct of the borrower nor any action on the above was taken.

F. Delays in attending to hearings of Hon'ble Supreme Court leading to a delay in resolution of the account:

On account of default by [redacted] and as a part of its recovery procedure, PFS had invoked the pledge of shares of [redacted] on 16 January 2018 and also submitted a claim of Rs 169 crores before Resolution Professional (IRP). However, the claim before IRP was rejected for the reason that invocation of pledge of [redacted] shares led to satisfaction of claim of PFS against [redacted]. The rejection was challenged by PFS before NCLT and subsequently before NCLAT. Subsequently, on 10 July 2019, PFS also filed a petition to Hon'ble Supreme Court against the judgement of Hon'ble NCLAT.

It has been observed that there had been constant postponements in the hearing before the Hon'ble Supreme Court (SC) against the order of NCLAT. The same can be evidenced by an internal communication dated 28th November 2019 wherein the management has requested opinion of legal counsel for adjournment of hearing without stating of any specific reason. In our view, these adjournments led to delay in resolution of the account, which could have been resolved had the adjournments not been obtained by the Company.

It may also be noted that an OTS proposal made for the above was also under consideration at the same time. (discussed in point 8 below).

The internal note stated as follows *"date of hearing at Supreme Court is scheduled on 2nd December 2019. Considering that the OTS offer of the [redacted] is under consideration, PFS legal team was requested to explore the possibility of adjournment of the hearing. The borrower has already sought adjournment of hearing twice earlier. The PFS legal team has sought the view of our legal counsel [redacted]. [redacted] is of the view that "it is possible to seek an adjournment by circulating a letter to the court. No specific reason need to be stated in the letter."*

In this matter, [redacted] also took several adjournments to which also PFS had not objected. Similarly, as and when PFS seeked adjournment, the borrower also did not object. It may be noted that the final hearing took place only when the Hon'ble SC denied any further adjournments.

G. Delayed presentation of One Time Settlement offer (OTS) to Board:

[redacted] the holding company of [redacted] had submitted a One Time Settlement (OTS) offer of Rs 90 crores with staggered payments vide letter dated 08 May 2019 and a subsequent revised offer of Rs 90 crores with reduced payment timeline vide letter dated 29 July 2020. Agenda note for the proposed OTS proposal was put up to the "Business Committee of Board" only on 17 October 2020 i.e., after a considerable time gap of 17 months.

> Sub: [redacted]
> based thermal power project at [redacted]
> Ltd: Status update on the action taken on the
> for further action
>
> 1. Background :
>
> [redacted] the holding company of [redacted] submitted a One Time Settlement (OTS)
> payments vide letter dated 08th May 2019 and a subsequent revised
> payment timeline vide letter dated 29th July 2020 along with EMD of Rs 4.5
> the proposed OTS proposal was put up to the 'Business Committee of Board'
> on 17th October 2020 for recommending it for the consideration and approval by the
> (BoD) of PFS. Subsequently, revised agenda was put up in 2nd Business Committee
> 16th December 2020. Due to certain issues, the Committee deferred the agenda item

In our view, this substantial delay by management to present the OTS offer to the Board led to a considerable delay in resolution of the account.

Attention is also drawn to Exhibit IL wherein details of the OTS are tabulated taking into account the original OTS offer (as presented to the Board after a 17-month delay) and revised OTS offer.

H. Delayed presentation of Forensic Audit report to the Board of Directors:

The Company had commissioned a Forensic Audit of [redacted] and had appointed M/s[redacted] to conduct the same. The report on the same was issued on 26 November 2018. The key observations highlighted by the Forensic Auditor in its report are:

- The company has consciously denied access to the books of account, correspondence and details relating to their EPC contract awarded to TPL which was essentially the central aspect of the entire examination;
- Loans to related parties /entities tantamount to diversion of funds;
- The group has followed a step up and circular approach using several intermediate layers for share capital of various group companies. All the investor companies and holding companies have very little capital funds. This approach results in concealing the actual source of capital as cause of fund flows amongst related parties appear difficult to map for the genuine project expenditure on an Arm's length distance;
- The company's accounting practices with regard to transactions with [redacted] are not considered commercially prudent. Payment of advance even when the commercial contract and EPC terms have not been finalized and the receipt of advance bearing interest for the company appear to be strange and prejudicial to the interests of the company;
- Continuation of advance against an undefined EPC contract and advance by them to the company and subsequent adjustments made in the account appear to be quid pro arrangements.

Given below is the Conclusion from the Forensic Audit Report:

7. Conclusions

1. The company/Interim insolvency professional has frustrated the efforts of PFS for the forensic audit by deliberately avoiding the pointed queries/replies to questionnaire. The company has submitted only the information which is also available in public domain and the files of PFS. The company has consciously denied access to the books of account, correspondence and details relating to their EPC contract awarded to [redacted] which was essentially the central aspect of the entire examination.

2. Analysis of statement of accounts with the only bank account of [redacted] of the company reveal large funds flows amongst related parties /entities. Transactions with related entities appear to be in the nature of financial transfer of funds to and fro and appear to have been resorted to for meeting the funds requirements at [redacted] and for demonstrating capital infusion.

3. Loans to related parties /entities tantamount to diversion of funds.

4. The group has followed a step up and circular approach using several intermediate layers for share capital of various group companies. All the investor companies and holding companies have very little capital funds. This approach results in concealing the actual source of capital as cause of fund flows amongst related parties appear difficult to map for the genuine project expenditure on an Arm's length distance

5. The company's accounting practices with regard to transactions with [redacted] are not considered commercially prudent. Payment of advance even when the commercial contract and EPC terms have not been finalised and the receipt of advance bearing interest for the company appear to be strange and prejudicial to the interests of the company.

6. Continuation of advance against an undefined EPC contract and advance by them to the company and subsequent adjustments made in the account appear to be quid pro arrangements.

7. The conduct of the interim insolvency professional in not providing the information for the forensic audit is also unusual and against the spirit of IBC.

[redacted]

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The draft of the above was also duly circulated to the management and the same was also accepted by management in its internal note dated 17 September 2018. However, it is critical to note that the management had not presented the above report (neither draft nor final) in a timely manner to the Board. The same presented to board only in the second meeting of the Business Committee dated 16 December 2020.

In our view, this delay by the management and withholding of critical information from the Board, ultimately led to the delay in timely actions on the OTS proposal being discussed or settlement of the account.

Given below are:

a) relevant extracts of 130th Board meeting held on 19 December 2020, wherein forensic audit has been placed before the board for the first time;

> *"It was further informed to the Board that the agenda for 2nd Business Committee meeting also contained a forensic audit report on the [redacted] loan account, conducted on instructions of PFS and dated 26th November 2018. The said report was circulated to the Committee members for the first time during the 2nd meeting.*
>
> *Therefore an independent legal opinion from a senior counsel has been obtained, which has already been circulated to the Board members.*
>
> *The Board members were of the view that review of the legal opinion on the forensic audit report which was prepared in 2018 brings out certain suspicious activities in the account. The Board was also of the view that there are two aspects on this account that are before the Board. The first aspect is related to the governance, compliances & reporting and the second aspect is related to the OTS offer of the promoter of [redacted]. During further deliberations, it was pointed out that issues related to the matter may be classified into three parts; 1. First, the compliances and reporting aspect; 2. Second, implications of reporting of the account as Fraud to RBI as recommended in the legal opinion; 3. Third, the proposed One Time Settlement i.e. OTS matters".*

b) Reference for the above was also drawn by the Independent Directors in their resignation letters dated 19 January 2022;

> - On 16th December 2020, revised agenda was circulated in respect of the NSL loan, and it contained a forensic audit report dated 26th November 2018 ("FAR") on the [redacted] loan account, conducted on instructions of the Company. The FAR was disclosed for the first time only during this second meeting of the Business Committee and was a cause of serious concern for the Board on account of non-disclosure of the FAR for a period of more than 2 years. The Board at its meeting dated 19th December 2020, took cognizance of the non-disclosure and constituted a committee of 3 independent directors to look into the matter. The Committee had to face inordinate delay in getting required documents and correspondence from the Management for its work. The committee in its report recommended that the [redacted] matter should be reported to RBI as suspected fraud and stressed the need to strengthen internal control mechanisms. The Board also deferred decision on OTS offer until response from RBI.
>
> In this context, please note that the efforts of the Audit Committee to bring this matter to finality had been thwarted by the non-cooperative and rather evasive management, which did not submit the information requested by the Audit Committee or done so with substantial delay, and more often than not with unsatisfactory response.

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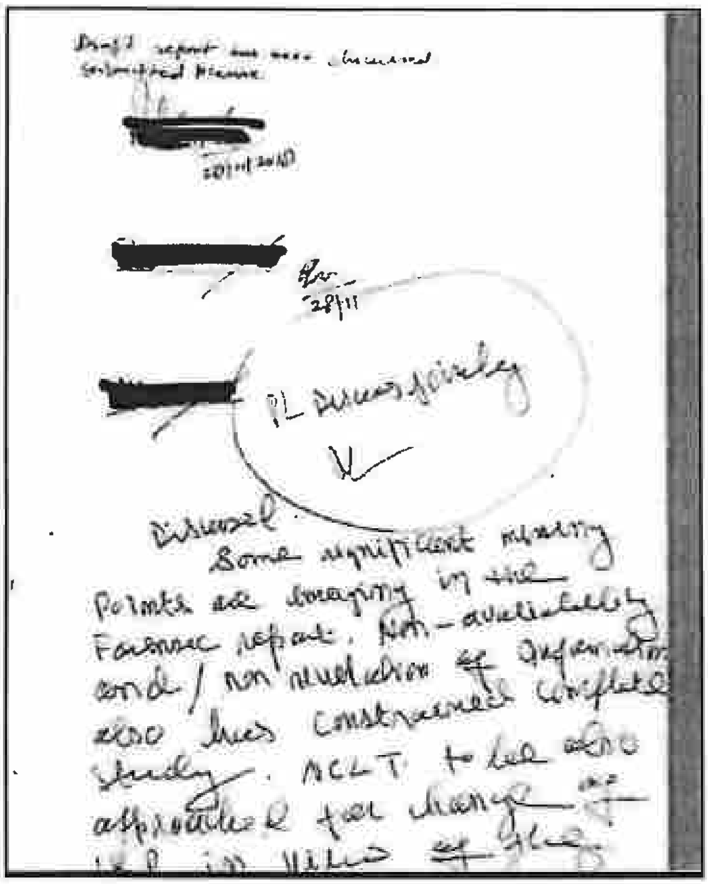
c) Relevant extract of the internal note dated 17 September 2018 wherein comments were provided by management on the draft report;



[redacted]

[redacted]

28/11

[redacted]

Pl discuss jointly

Discussed. Some significant missing points are emerging in the Forensic report. Non-availability of information and / non verification of information also has constrained complete study. NCLT to be also approached for change of IRP in view of the

d) Committee of Independent Directors have also mentioned in their report that the Forensic Audit Report was not place before the committee for a period of over two years leading to non-compliance of RBI direction and also issues in governance.

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The relevant extract of the report is as below:

> [redacted], the forensic auditor, had submitted their report on 26-11-2018. For over a period of 2 years the report was not placed before any committee and the Board. This act of initial and continued non-disclosure of the forensic audit report which raised suspicion of fraudulent activities on the part of the borrower would mean non-compliance of the RBI Direction 2016. The Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016, provide inter-alia, that a systemically important non deposit taking NBFC having asset value of more than Rs.500 crores is under an obligation to report both proved and suspected frauds to the RBI. Chapter VI of the Directions provide as :- "Applicable NBFCs should ensure that all frauds of Rs.1 lac and above are reported to their Boards promptly on their detection."

> **Issues of Non-disclosure**
>
> The FAR which was submitted by [redacted] on 26-11-2018 was not disclosed in any committee nor to the Board of PFS for 2 years. Non-disclosure of a FAR which clearly brings out financial irregularities and suspicion of fraud tantamount to dereliction of duty on the part of the management of PFS. Concealment of facts is a fraudulent activity punishable under S.447 of Companies Act 2013.
>
> When the note for One Time Settlement (OTS) in the case of [redacted], came up in the 1st Business Committee on 17-10-20 along with another OTS proposal which had a supporting FAR, the CRO called for the rationale for not seeking FAR in this case. The members of the committee also enquired about it. Only after that the FAR which was received on 26-11-18 was disclosed and put up in the next meeting of the Business Committee on 16-12-20, though it was with the Stressed Assets Resolution Cell (SARC) team for 2 years. Even if the Management felt that the FAR was inconclusive and of no significance, it should have been disclosed to the Risk Unit for assessment and discussed in the Committee of Directors for Loan Recovery (CDL). The FAR was not shown to the Internal Auditors. Further, the opinion of the statutory auditors also should have been taken and presented in the Audit committee.
>
> The management of PFS was all along in total denial of the fact that the FAR contained sufficient information for suspicion of fraud. They kept saying that it was not conclusive and of no significance. They maintained that by not disclosing the FAR they have not violated RBI instructions nor circumvented any system. They felt that whether the report was disclosed or not the outcome would have been same. They mentioned that only the FARs where fraud is conclusively established are by practice disclosed and put up in the committees. They also maintained that as they had initiated actions as per the suggestions of the Forensic Auditor there was no concealment or non-disclosure and hence no departure from practice and procedure. The Committee does not agree with this view of the PFS Management.

The fact that the FAR was commissioned by PFS, accepted and paid for by PFS, but not disclosed or discussed and kept in the department for 2 years shows also the weakness in the internal systems and controls. The argument of the PFS Management that the FAR is not of relevance or significance is wrong. It should have been disclosed as a matter of good governance.

PTC India Limited has also sought a legal opinion on the above matter from a senior advocate in which he has stated that there is a prima facie case of violation of Companies Act, 2013 which on being proved in accordance with law, would make the person found guilty becoming liable for punishment under Section 448 of the Companies Act, 2013. Given below is the extract of the same. The legal opinion is also attached herewith as Exhibit IN

> iii. *Whether non-disclosure of PFS of material information is in violation of any provision(s) of the Companies Act (Please refer Section 448 of the Companies Act)"*
>
> 18.3 From the facts discernible from the documents furnished to us, it appears that there was no justifiable reason for not having disclosed the Forensic Audit Report, which contained material and relevant information with regard to the mis-utilisation and diversion of funds and other illegal/authorised activities in the accounts of the borrower, [redacted], in so far as the Bridge Loan amount of Rs.125 Crore was concerned. In this view of the matter, there appears to be a *prima facie* case of violation of the provisions of Companies Act, 2013, which on being proved in accordance with law, would make the person found guilty becoming liable for punishment under Section 448 of the Companies Act, 2013.

I. **Non-Compliance of Pre-Disbursement condition and misrepresentation to Reserve Bank of India (RBI):**

As per para 5.2.1(iii) of the bridge loan facility agreement the below condition was stipulated as a pre disbursement condition, "*The Borrower shall have received a suitable acknowledgement from [redacted], the lead financial institution of the long term lenders, to the satisfaction of the bridge loan lender, for availing bridge loan by the Bridge Loan lender for the project and that the repayment to the Bridge Loan shall be allowed from the disbursement by the Long term lenders*".

On verification of the loan documents, it has been observed that the borrower had written to the [redacted] only for their information. The borrower had not sought written affirmation of [redacted] for repayment of PFS loan from their disbursement.

As per the sanction terms of bridge loan, the repayment was to happen from TRA account of the disbursement from the original term loan lenders. Considering that [redacted] was the lead banker for the original term loan, hence it is very critical to obtain suitable acknowledgement/NOC from [redacted] to that effect. Non-compliance with the same could have jeopardized PFS position with respect to recovery.

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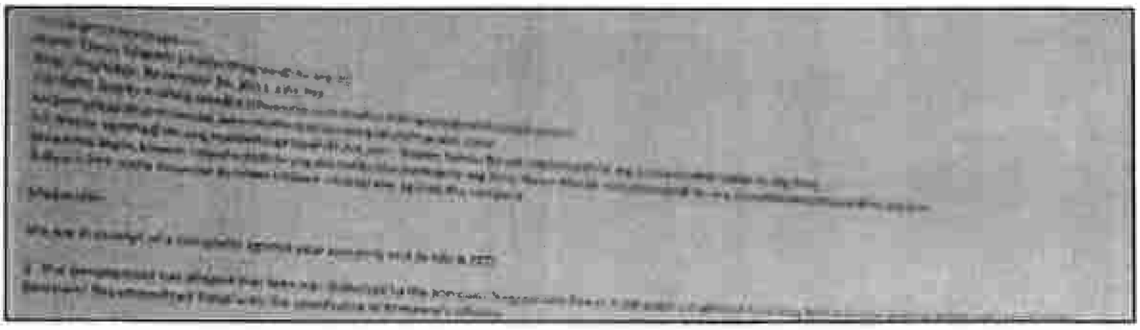
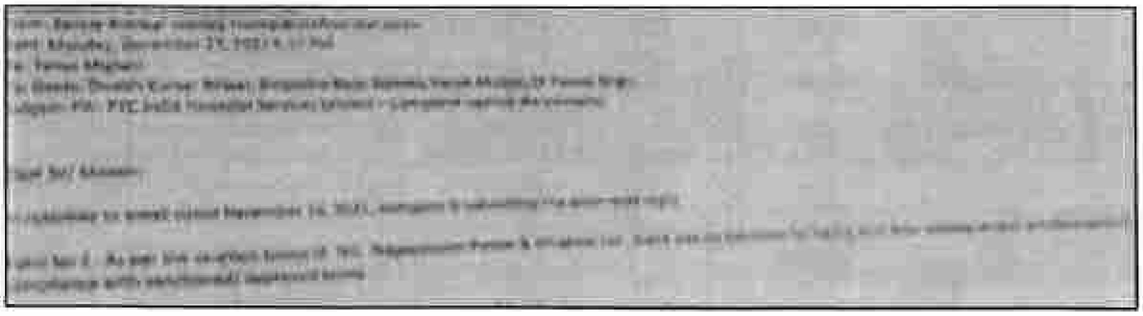
Given below is the relevant extract of the facility agreement;

(iii) The Borrower shall have received suitable acknowledgement from REC, the lead financial institution of the Long Term Lenders, to the satisfaction of the Bridge Loan Lender, for availing Bridge Loan by the Bridge Loan Lender for the Project and that the repayment to Bridge Loan shall be allowed from the disbursement by the Long Term Lenders

Further RBI had in its email dated 16 December 2021 had enquired from PFS on alleged non obtaining of NOC from existing lender [redacted] and consequent committing of fraud with the connivance of the company officials.



The Company (PFS) has responded to above query stating that as per sanction terms there was no condition for having NOC from existing lenders.



In our view, the Company has conveniently chosen to misinterpret the "acknowledgement from [redacted]" and has not construed it as NOC. The same has also seems to have been falsely represented by the Company to RBI.

The above observation has also been highlighted in the Due Diligence report dated 22 March 2014 as issued by law firm "[redacted]" (extract produced below) wherein PFS was required to obtain a suitable acknowledgement from [redacted]

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> *Note: Please note that as per one of the condition under the sanction letter dated February 5, 2014 issued by PFS for the bridge loan, the Company is required before the first disbursement under the bridge loan, to arrange suitable acknowledgement from [redacted] the lead financial institution of the consortium of long term lenders of the Company, to the satisfaction of PFS, for availing the bridge loan by PFS for the Project and that the repayment to bridge loan shall be allowed from the disbursement by the long term lenders.*
>
> [redacted]

The Board Committee have also highlighted issues regarding non-compliance of pre disbursement conditions in its 25th Nomination and Remuneration Committee (NRC) meeting dated 23 January 2018 as below;

> *"Regarding issues involved relating to loan given to [redacted] and [redacted] were of the views that PWC has made the observations against the disbursement and monitoring team as the said loan was disbursed without sufficient safeguard regarding compliances of a critical pre-disbursement condition. Further, the monitoring team headed by [redacted] did not track the utilization for a period of as long as eighteen (18) months post the disbursement. In their opinion, the disbursement and monitoring team including [redacted] and the then MD & CEO are responsible for issues relating to [redacted] loan. [redacted] and [redacted] were of the views that the case of [redacted] is a systemic failure, there are no proper system and procedures in place and therefore the Committee has also given their recommendations to strengthen the systems. Further, [redacted] and [redacted] also pointed out that assigning the role of monitoring to Director (F) who was responsible for disbursement was a questionable decision. They further informed that they are also not absolving [redacted] from this case and suggested for issuance of caution for being more vigilant so that transaction like [redacted] should not recur in future. [redacted] and [redacted] were of the views that the entire team was responsible for [redacted] case and [redacted] being one of the key managerial personnel in the team is also accountable for the same."*

The reference to [redacted] here indicates that such a report was obtained from [redacted] by PFS/PTC. Inspite of our repeated reminders to provide the said report, no such report was made available. We believe that the said report covers several adverse observations against the actions taken by the PFS management in the matter of [redacted].

Also, though the issues were highlighted in January 2018 by NRC, no cognizance thereof or remedial action like bringing this to the attention of the Board, seems to have been taken.

J. **Security creation not complied:**

The Chief Risk Officer (CRO) of the company, in his risk report dated 12 October 2020 on OTS, has highlighted issues in relation to security creation pertaining to bridge loan.

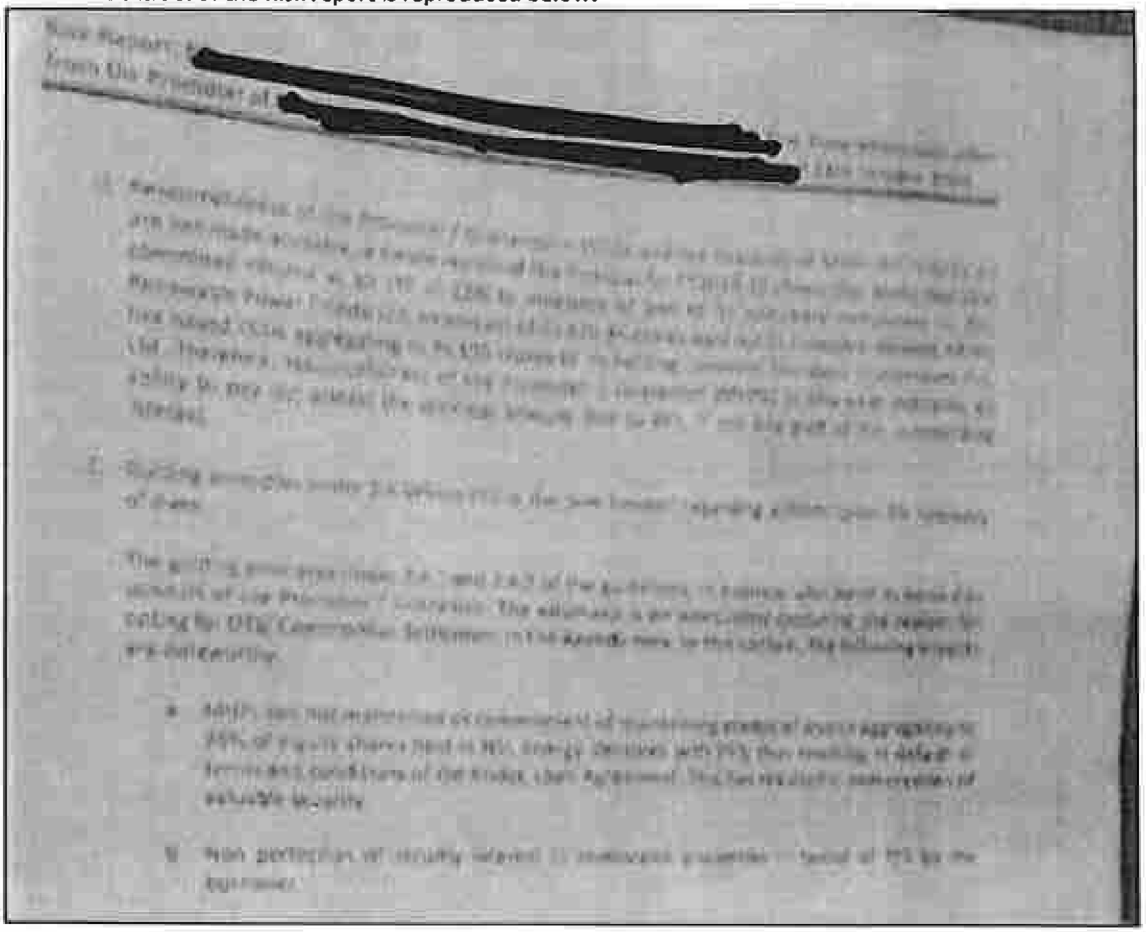
a. [redacted] has not maintained its commitment of maintaining pledge of shares aggregating to 26% of equity shares held in [redacted] with PFS; thus resulting in default of terms and conditions of the Bridge Loan Agreement. This has resulted in non-creation of valuable security;

b. Non perfection of security interest in immovable properties in favour of PFS by the borrower.

This amounts to imperfect security creation and confirmation on the loan account. It can also imply jeopardising the interest of the company by not perfecting the security for the loan given despite alternate measures adopted by the Company like obtaining of constructive delivery by deposit of original lease deed by the borrower.

We would also like to draw attention to point 5 above wherein lapses were also observed in creation of security interest in the immovable property in favour of PFS.

The relevant extract of the Risk report is reproduced below:

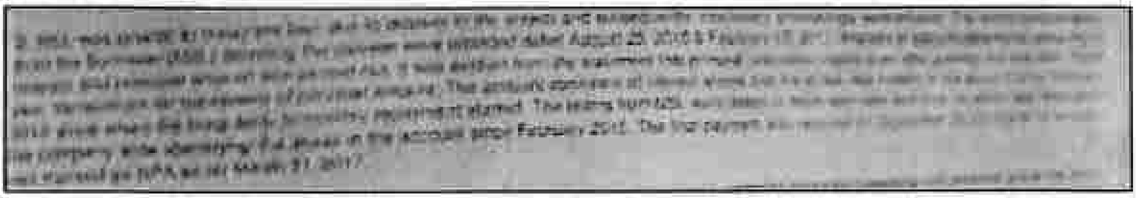


K. Non monitoring of stress in the account:

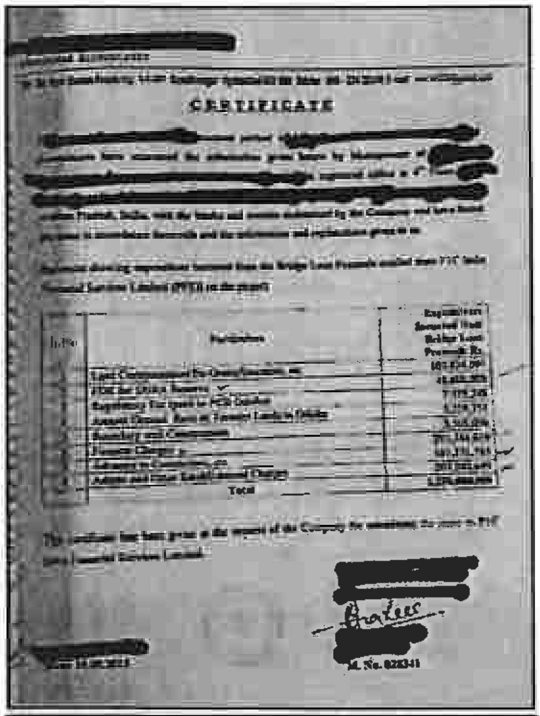
PFS did not adequately track the repayment and the utilisation of disbursed funds in the [redacted] account post disbursement. This led to an overall stress built up in the account leading to it turning into a Non-Performing Asset (NPA). The stress in the account was also highlighted by the borrower when it had sent a letter to PFS stating its inability to pay dues in timely manner and requesting for moratorium. The stress in the account was highlighted to the board only post receipt of such letter.

In our view, this can also amount to negligence on the part of PFS.

The above is also highlighted by RBI in its email dated 14 February 2022 to the Company.



PFS had also received CA certificate dated 10 September 2015 which should have been analysed in detail by the monitoring team to identify the gaps in utilisation of funds vis a vis the sanctioned utilisation.



Board of directors in their 133rd Board meeting dated 17th May 2021 have also expressed their concern on such issues, relevant extract is as below:

"[redacted] and [redacted], members of the Committee of Independent Directors on [redacted] the Board about the timeline for submission of the report. They summarised that overall, the Forensic Audit Report raises a doubt and leads to the suspicion of fraud. The Committee, therefore, expressed concern and mentioned the issues involved. The Committee expressed that apart from compliance, issues relate to governance, transparency, accountability and responsibility for timely reporting. The actions recommended by the Committee are threefold – a) report to RBI b) Set up an internal committee or engage an external advisor to address the internal control weaknesses that are evident and c) strictly abide by the Company's policy on Fraud Monitoring and Reporting (May 2018).

Members of the Board discussed various aspects of the matter, and were of the view that there is no point of law involved, rather the issues involved relate to disclosures, compliances and governance".

CNK Conclusion:

Based on the above observations, our conclusion in the matter is as under:

a) Delays in presenting critical information to the Board;

b) Disbursements made despite full knowledge of imperfect security creation;

c) Not taking cognisance of several red flags pointed out by CRO reports, Forensic Reports, Board and other external reports;

d) Delays in pursuing legal options and preferring OTS (at a substantial hair-cut, which also did not happen as not approved by the Board) so as to close the matter.

[redacted]

Index:

Sr No.	Observation
A.	Manipulation of the Loan Book
B.	UDIN mismatch - Diversion of funds and weak monitoring controls
C.	End Use Certificate not obtained
CNK Conclusion	
Exhibits (IIA)	

Background:

PFS has sanctioned corporate loan of Rs 250 crores in 135th Board Meeting held on 21st June 2021. The facility was revolving in nature which was to be utilised for meeting the fund requirements of under construction projects in temporary refinancing of existing debts in other operational projects of group companies.

Summary:

S.No	Particulars	Comments
1.	Name of Account	[redacted]
2.	Amount Sanctioned	Corporate Loan of Rs. 250 Crores (Revolving in nature)
3.	Date of Board Approval	135th Board Meeting held on 21st June 2021
4.	Date of Loan Agreement Execution	28th June 2021
5.	Group Exposure (at the time of Sanction)	Rs. 596.25 Crores
6.	Stage of Loan Account	Stage 1

The following are the preliminary observations for the above:

A. Manipulation of the Loan Book:

The borrower has been sanctioned a revolving term debt of Rs 250 crores for meeting the fund requirements of under-construction projects of group companies. As a part of the above facility, borrower has availed loans and also repaid amounts as below:

Amount in Rs.

Disbursement Transaction Date	Disbursement Amount	Repayment Transaction Date	Repayment Amount
Tranche 1 (repaid in 98 days)			
30-06-2021	250,00,00,000	05-10-2021	49,00,00,000
		05-10-2021	4,00,00,000
		05-10-2021	49,00,00,000
		05-10-2021	33,22,688
		05-10-2021	49,00,00,000

		05-10-2021	1,00,00,000
		05-10-2021	49,00,00,000
		05-10-2021	48,66,77,312
Total	**250,00,00,000**		**250,00,00,000**
Tranche 2 (repaid in 78 days)			
08-11-2021	250,00,00,000	25-01-2022	250,00,00,000
Total	**250,00,00,000**		**250,00,00,000**
Tranche 3 (repaid in 2 days)			
31-03-2022	250,00,00,000	02-04-2022	250,00,00,000
Total	**250,00,00,000**		**250,00,00,000**

The disbursements on 08 November 2021 have been availed by borrower towards funding in the SPV's of [redacted] and [redacted] Further the disbursement is tranche 3 i.e., on 31 March 2022 has also been availed against similar SPVs.

From the above, it can be observed that:

- Funds availed for tranche 3 **(on 31 March 2022)** is for a very short period (only 2 days) vis a vis funds availed for earlier tranches which were for 78 and 98 days;
- Tranche 2 had been repaid by borrower from its own funds on 25 January 2022 which indicates that the funds requirement for that particular SPV had already been met;
- Post disbursement of Tranche 3, the facility was repaid in only 2 days by the borrower by serving prepayment email on 1st April 2022(i.e., only one day notice was provided) as against minimum of 30 days prepayment notice as required under clause 9.1 of the facility agreement;
- Such notice period was also subsequently waived by the Company management without levy of any prepayment premium to the borrower;
- Tranche 3 disbursement was unscheduled and was proposed to be done from use of HQLA stock maintained by the Company.

Further as per the sanction terms repayment of the said loan was stipulated from the long-term disbursement from senior lenders in the project. However, in the instant cases loan seems to have been repaid by borrower from its own funds itself as the span of the loan availment was only for two days. Such short availment and subsequent repayment raises suspicion on the genuineness of the transactions and particularly so when such transaction is carried out on a year-end date.

Further such disbursement of funds on the year end date would result in inflation of the Year-end Loan Book and improvement of various financial parameters of the Company like Net NPA ratio, Gross NPA ratio.

B. UDIN mismatch - Diversion of funds and weak monitoring controls:

As per the clause 14.3 (c) of the loan agreement the borrower shall have provide the end use certificate from the auditor of the borrower / Chartered Accountant within 45 days from each Disbursement certifying the end use of the facility and equity/ shareholder's loan brought in by the borrower/ group companies in respective identified Projects, except in case of Initial Disbursement.

Based upon the above clause the borrower has submitted the End-use certificates issued by the Chartered Account dated ***20th July 2021*** certifying the total promoter's contribution including contribution made by the borrower in both SPVs utilizing the first Disbursement made by the company.

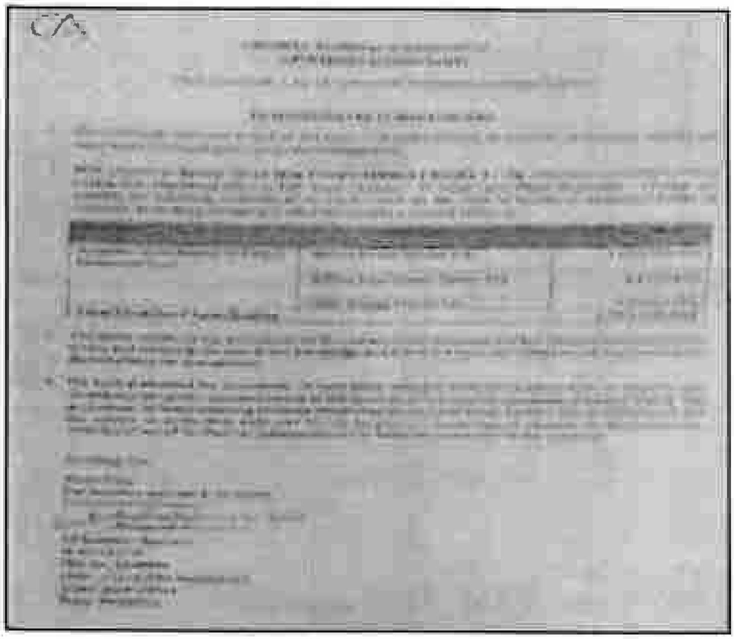
Upon verification of the UDIN on ICAI portal it was seen that the amount certified as promoters' contribution (as per UDIN screenshot) in the [redacted] was not in line with the certificate provided by the Chartered Accountant. The above is indicative of incorrect certification by Chartered Accountant for funds infusion by Promoters and may also indicate diversion of funds by borrower. Also, PFS has not taken care to verify this fact from the UDIN portal of ICAI.

This reflects the gaps in the monitoring of such critical pre disbursement conditions by PFS.

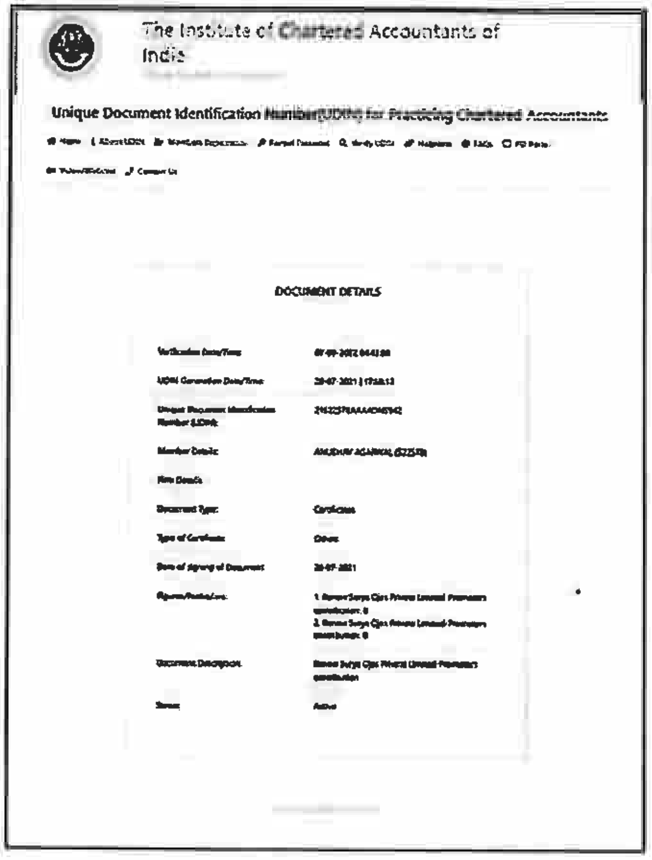
The above matter may also be referred to the ICAI for suitable action against the Chartered Accountant.

The management in response to this finding has responded that they would be implementing the UDIN verification process going forward.

Extracts of Certificate issued:



Extracts of the same from ICAI UDIN Portal:


The Institute of Chartered Accountants of India

Unique Document Identification Number(UDIN) for Practicing Chartered Accountants

DOCUMENT DETAILS

C. End Use Certificate not obtained:

As per conditions stipulated in the sanction, the borrower is required to submit a CA certificate, confirming the end use of funds within 45 days of each disbursement. However, for the purpose of disbursement done on 31 March 2022, the end use certificate has not been obtained by PFS.

Not obtaining of the end use and prepayment of the facility by the borrower within a period of mere 2 days raises suspicions on the purpose for which the funds have been disbursed by PFS to the borrower.

CNK Conclusion:

Based on the above observations, our conclusion in the matter is as under:

1. Disbursement of funds merely for overstating of loan book and related parameters for RBI reporting as at year end;
2. Weak monitoring controls and non-receipt of end use certificate which could have led to diversion of funds;
3. Repayment of facility by borrower without serving of adequate prepayment notice (30 days) as stipulated in the facility agreement;

[redacted]

Index:

Sr No.	Observation
A.	Modification of Pre-disbursement condition
B.	Delayed compliance with Board Directive
CNK Conclusion	
Exhibits (IIIA to IIII)	

Background:

PFS has in its 130th Board meeting dated 19 December 2020 sanctioned Term Loan of Rs 150 crores under down selling from [redacted] Bank to implement 4 lane road on [redacted] of NH 12 in state of [redacted].

Summary:

S.No	Particulars	
1.	Name of Account	[redacted]
2.	Amount Sanctioned	Rs. 150 Crores
3.	Date of Board Approval	130th Board Meeting dated 19th December 2020
4.	Date of Loan Agreement Execution	04th March 2021
5.	Group Exposure (at the time of Sanction)	Rs. 150 Crores
6.	Stage of Loan account	Stage 1

The following are the observations for the above loan:

A. Modification of Pre-disbursement condition:

In the 130th Board Meeting on 19th December 2020 a proposal for sanction of Term debt of Rs. 150 crores to the borrower was approved by the Board subject to a condition that any modification in the terms and conditions may be made with the approval of the Board only, however the following modification pertaining to Extension of timeline (EOT) was made in the amended loan agreement dated 04th March 2021 without the approval of the Board.

Original Condition	Amended Condition
Borrower should have received Extension of Timeline (EOT) approval from NHAI related to project milestone which should result in extension in commissioning of the project on or before 31st July 2021.	The Borrower shall have received on or prior to July 31, 2021, the extension of timeline approval from the Concessioning Authority in relation to Project milestones thereby resulting in extension in the date of commissioning of the project.

As per term of original sanction, the borrower, before the initial disbursement, should **have submitted the extension of timeline for commissioning of the project upto 31 July 2021.**

However, the amended term captured in the loan agreement indicates **that such extension of timeline can be obtained by the borrower upto 31st July 2021.**

Though the revised terms have been duly captured as pre-disbursement condition, but the manner in which it has been captured does not have the meaning of pre disbursement condition. This is because the extension which was required to be obtained on an upfront basis i.e., prior to disbursement (as per original condition) has been modified to convey the meaning that such extension in commissioning can be obtained upto 31st July 2021 (amended condition).

Further on examination of the documents it was noticed that the borrower has received the consent for extension of commissioning only upto 18 May 2021 i.e, 180 days from the scheduled completion dated (19 November 2020) as per [redacted]extension letter dated 24 December 2020.

It is also important to note that the borrower vide email dated 10th February 2021 has informed PFS regarding SCOD extension approved by senior lender [redacted]Bank) upto 06 June 2021.

PFS has proceeded with the disbursement on 10 June 2021 amounting to Rs 13.13 crores having knowledge of the fact that the EOT extension was only upto 18 May 2021 and SCOD extension was only upto 06 June 2021.

However, the Company vide ***file no. PFS/PDJHPL/DP2214001/Monitoring/ dated 03rd November 2021*** has extended the timeline of ***SCOD to 31st December 2021 from 06th June 2021*** and for receipt of ***extension of timeline (EOT)*** for project milestone/Provisional COD (PCOD) approval from NHAI on or ***before 31st March 2022***. Thus, the disbursement in June was made beyond the available extension of timeline and SCOD was extended after disbursement

The extracts of the above extension are captured below:

File No. PFS/PD/HPL/DP2214001/Monitoring

November 03, 2021

Chief Financial Officer
[redacted]
Channi Road, Channi,
Vadodara – 391740, Gujarat

Subject: Loan No. DP2214001: M/s [redacted]: Term loan of Rs. 150 Crores for four laning of [redacted] in the state of [redacted] under NHDP Phase III (length 48.55km) under Hybrid Annuity Model: Request for extension of SCOD along with consequential shift in repayment schedule – reg.

Ref: 1. Your request letter dated 27th July 2021

2. Minutes of meeting of the Consortium of Lenders dated 28th July 2021 whereby lenders recommended for extension of SCOD till 31st December 2021 along with consequential shift of the repayment schedule

3. Letter of amendment from Lead Lender ([redacted]) dated 4th October 2021

Dear Sir,

In reference of above request and our time to time communications held with your representatives, this is to intimate that as agreed by the lenders in the above referred consortium meeting, PFS has approved the following modifications in the T&C of sanction and amendment(s) thereof

Existing Conditions	Modified Conditions
SCOD: SCOD or Scheduled Commercial Operation Date shall mean June 6, 2021.	**SCOD:** SCOD or Scheduled Commercial Operation Date shall mean December 31, 2021
Extension of Timeline Approval: The Borrower shall have received, on or prior to July 31, 2021, the extension of timeline approval from the Concessioning Authority in relation to Project Milestones thereby resulting in extension in the date of commissioning of the Project.	**Extension of Timeline Approval:** The Borrower shall have received extension of timeline (EOT) for project milestone / Provisional COD (PCOD) approval from NHAI on or before 31st March 2022.

PTC India Financial Services Ltd. (CIN: L65999DL2006PLC153373)
(A subsidiary of PTC India Limited)
Registered Office: 7th Floor, Telephone Exchange Building, 8 Bhikaji Cama Place, New Delhi - 110 066, India
Board: +91 11 26737300 Fax: +91 11 26737373, Website: www.ptcfinancial.com, E-mail: info@ptcfinancial.com

MUMBAI

The extract of details of the above extension are captured as per the settlement agreement with NHAI and as per confirmation received from senior lender as below-

B. SALIENT FEATURES OF THE PROJECT:

S.No.	Particulars	Details/Status
1	Total Length (km)	45.880 (Greenfield length - 38.391)
2	Name of Concessionaire	[redacted]
3	Name of Independent Engineer	[redacted]
4	Awarded Cost (Rs. in Cr.)	1123.53 Cr
5	Construction Period	910 days
6	Date of Issue of LOA	04-10-2017
7	Date of Agreement	16-11-2017
8	Appointed Date	24-05-2018
9	Scheduled Date of Completion	19-11-2020
10	Extension of time (EOT) approved upto	18-05-2021 (180 days EOT approved by Competent Authority due to COVID-19)
11	Progress up to 25.10.2021	Physical - 81.78% Financial - 83.21% Length completed – 41.77 km.
12	Likely date of Completion	May 2022

Project Milestones

Milestone no	Scheduled date	Achieved date
Milestone-I	10-03-2019	10-03-2019
Milestone-II	29-07-2019	25-11-2019
Milestone-III	13-04-2020	31-05-2021
Scheduled Date of Completion	19-11-2020	Yet to be achieved

MUMBAI
Chartered Accountants

We hereby advise you the following modifications in the terms and conditions:

Facility	Existing	Revised
Term Loan	INR 354.35 Crores	INR 354.35 Crores
Letter of Credit (Sublimit of Term Loan)	INR 50 Crores	Nil
Mobilization Advance Bank Guarantee(Sublimit of Term Loan)	INR 61.80 Crores	INR 33.71 Crores
Scheduled Commercial Operations Date ("SCOD")	November 19, 2020	Jun 06, 2021

[redacted]

RBI had also enquired with the Company regarding the modification of the terms and conditions in the pre disbursement conditions as explained above to which company has responded as under:

Extract of email sent to RBI

Dear Sir

Please find the company's reply in the table given below:

whether the company had carried out the analysis of difference in terms approved by the Board and terms communicated to the Borrower	Yes, in relation to Patel Darah Project, the analysis of difference in terms approved by the Board and terms captured in Loan Agreement along with legal counsel reports. The matter was also examined by statutory and internal auditor and their reports shall be placed the next Audit Committee / Board meeting. Detailed action taken report shall be placed to the next Board Meeting.
It was observed that the Board had instructed that outcome of such an exercise was to be presented to Board members by October 31, 2021. Such an exercise, however, was not carried out by that date or shared with Board members. It was also observed that there was no agenda related to the same in Board meetings dated November 8, 2021 and November 9, 2021. It was also observed that there was no Agenda relating to the same, was proposed to be presented in the Board meeting which was scheduled for January 2022.	Yes, it was not placed in the previous Board Meetings, because the minutes of 140th Board Meeting was finalized post required date (i.e., 31st Oct 2021). Action Taken Report Agenda in this regard shall be placed in next Board Meeting.
If such an exercise was carried out, share the details and number of cases in which this happened. Also confirm whether the outcome of same was presented to the Board (in case the above observations are factually incorrect).	Yes, the cases related to Third quarter, 2022 has been externally vetted by third party independent counsel confirming terms of sanction letters were captured in Loan Agreement. In addition to above, IIFS management has selected a KMP to issue compliance certificate in this regard.

Response provided by Company to RBI in its email dated 20th September 2022 have been attached herewith as Exhibit [redacted]

The above modifications have also been highlighted by Independent Directors in their resignation letter which has been reproduced as below:

> (iv) *Unilateral change in conditions of loans, without prior approval of the Board*
>
> - The Company had extended a term loan of INR 150 crores for four laning of [redacted] the state of [redacted] under NHDP Phase III (length 48.88km) under Hybrid Annuity Model, and changes were made to the repayment timelines, without prior approval of the Board.
>
> - The Board in its 140th meeting held on 29th September 2021, had expressed concern over the unilateral and unauthorised change of terms and conditions of loan extended to [redacted] done by the management, and had sought report on the matter by 31st October 2021. The same has still not been furnished to the Board.
>
> Please note that it was a coincidence that such unilateral change came to the notice of the Board, and it raises suspicion of many more such instances of similar nature which exist in the Company, and the Board oblivious on account of non-disclosure by the Company. It is also a governance control issue since the Management is acting without approval, authorisation and consultation with the

The above modifications have also been highlighted by Board of Directors in its 140th Board Meeting held on 29 September 2021, wherein they have stated as below.

"The Board pointed out that when the instant proposal was approved, the Board has desired that any modification in terms and condition in the instant project shall be approved by the Board and enquired about whether there has been any deviation granted in the instant account in the conditions as approved by the Board. The Board was informed that the as per the sanctioned terms, the condition related to extension of timeline from NHAI was stipulated as pre disbursement condition, however, in the loan agreement the condition has been stipulated under the condition related to time line extension which is not a pre-disbursement condition".

The Company had obtained legal opinion (Refer Exhibit IIIG) in relation to above matter wherein the lawyer has concluded stating that *"the condition pertaining to extension of commissioning of the project as stipulated in the sanction letter has been appropriately captured in the facility agreement".*

However, we believe that the legal opinion is not adequately clarifying the above matter.

B. Delayed compliance with Board Directive:

In 140th Board Meeting conducted on 29th September 2021 the management of the company was directed by the Board to conduct the enquiry and submit the report relating to the modification made in terms and conditions without the prior approval of the Board.

Given below is the relevant BOD extract for the above direction of the board:

"The Board expressed its concern over the change in the condition approved by the Board in the agreement(s). The same amounts to a change without the approval of the Board. The management may bring the complete details to the Board in this regard by 31st October 2021. If the Board directives were not followed in the instant case, then responsibility for the same be fixed and necessary action should be taken by MD & CEO."

Internal Auditors have also in their Internal Audit report for Quarter 3 of FY 2021-22 mentioned the below observations:

Pre-Disbursement Condition of [redacted] was presented as condition related to Timeline extension in the agenda note (comments of risk group section) of 140th Board Meeting dated 29th September 2021:

The borrower shall have received on or prior to 31st July 2021, the extension of timeline approval from the concessioning authority in relation to project milestone thereby resulting in extension in date of commissioning of project. It is to be further noted that as against the requirement of board submit report on the reasons for above modification (without approval) by 31st October 2021, no report were submitted as on the date of audit i.e., 20th February 2022.

The observation of internal auditor is referring to the risk report by CRO, which has been termed as comments of risk group the extract of risk report is in below table.

Pre-disbursement condition	*Condition relating to timeline extension*
Borrower should have received extension of timeline (EOD) approval from NHAI related to project milestone which should result in extension in commission of the project on or before 31st July 2021.	*Borrower shall have received, on or prior to 31st July 2021, the extension of timeline approval from the concessioning authority in relation to project milestone thereby resulting in extension in the date of commissioning of the project.*

From the record produced before us, there were no such instances/documents to confirm that the management had reverted to the board regarding the same in subsequent Board Meetings. Further the management has circulated the agenda of 144th Board Meeting which was scheduled for 22 January 2022 – however since all the ID's of the Company resigned on 19 January 2022, this meeting was not held.

Basis discussion with management we were informed that the update to Board members in form of action taken report on above matter was presented only in 146th Board meeting which was held post 31 March 2022 for which the minutes were not made available.

The above has led to a substantial delay in compliance with Board directives in September 2021.

CNK Conclusion:

Based on the above observations, our conclusion in the matter is as under:

1. Amendments to the Sanction terms and conditions without obtaining approval from the sanctioning authority (Board of Directors);
2. Disbursement made in violation of approved pre-disbursement conditions (e.g., an extension of the commissioning period);
3. Delayed adherence of directives by the Board.

[redacted]

Index:

Sr No.	Observation
A.	Disbursement done despite Non-compliance of pre disbursement condition
B.	Disbursement done in spite of account classified NPA with another lender and possible evergreening
C.	Disbursement done despite slow progress of project
D.	Disbursement done for clearing of overdues
CNK Conclusion	
Exhibits (IVA to IVB)	

Background:

M/s [redacted] had availed the facility for implementing a 66MW coal-based power project at [redacted]. The Company had received sanction from [redacted] and [redacted] However, [redacted] subsequently withdrew its sanction which was then taken over by PFS by financing Rs 50 crores.

Summary:

Sr. No	Particulars	Comments
1.	Name of Account	[redacted]
2.	Amount Sanctioned	Rs. 50 Crores
3.	Date of Board Approval	13th COD dated 12th March 2012
4.	Date of Loan Agreement Execution	22nd May 2012
5.	Group Exposure (at the time of Sanction)	Rs. 50 Crores
6.	Stage of Loan Account	Account has been classified as NPA on 30th July 2016 and out of the total disbursed amount of Rs. 50 Crores an amount of Rs. 1.41 Crores has been repaid and the balance Rs. 48.59 Crores has been written off during FY 2020-21.

The following are the observations for the above loan:

A. Disbursement done despite Non-compliance of pre disbursement condition:

The borrower has in his PDC compliance certificate stated that the borrower has infused Rs. 54.63 crores in the project as the equity requirement. The same was substantiated by the borrower vide copy of CA certificate dated January 10, 2012.

Upon verification of the CA certificate, we have observed that Rs. 29.63 crores have been introduced by the borrower in the form of share application money and not as equity contribution. It has been observed that such share application money was routed by borrower through borrowed funds and was subsequently written off by the borrower.

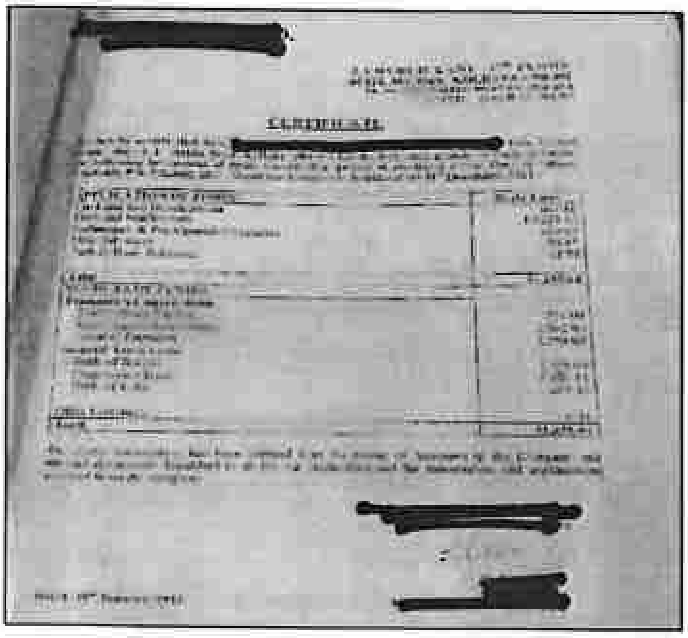
PFS while disbursement has considered receipt of share application money in compliance with PDC and has made disbursement in the account.

The above issue was also highlighted by forensic auditor in his report dated 21 May 2019, as below:

2) Some of the amount received from [redacted] was given as loans & advances for Share application money to various parties and the same was then invested back into company by way of share application money.
3) In FY 16-17, Share Application pending allotments of Rs. 24.50 Cr is written off by passing journal entry with advancegiven for share application money.

tly Private & Confidential 22 000022

Relevant extract of CA certificate:



B. Disbursement done in spite of account classified NPA with another lender and possible evergreening:

Basis the lead bank ([redacted]) disbursement advice dated 25 August 2015, disbursement amounting to Rs 2.11 crores was proposed to be made by the consortium. PFS share in this disbursement was determined to be Rs 1.0 crore. However, the account had turned NPA with [redacted] and hence no disbursement was proposed to be made by them as the account was NPA in its books. PFS has proceeded with the disbursement on 07 September 2015 amounting to Rs 1.00 crore though it was having knowledge of the fact that account had turned nonperforming. The subsequent disbursement done to borrower despite the account being in overdue position with other Banks / PFS which the borrower may utilise to regularize its overdue position leading to possible evergreening.

Relevant extract of the Lead bank advise is as below:

Our IFS code is BARBOINDIAE for remittance of Term Loan to ESCROW [illegible] (Rs in Lacs)

Name of Bank	Share %	LIMIT	Disb. Made	Disb to be made	Total Disbursement to be made	Share of Disb (%)
[redacted]	30.74	7500	7400.80	99.20	7500.00	31.74
[redacted]	30.74	7500	6853.00	0.00	6853.00	29.06
[redacted]	18.03	4400	4329.58	11.00	4400.58	18.62
[redacted]	20.49	5000	4776.96	100.00	4876.96	20.64
[redacted]	100	24400	23420.34	210.2	23630.54	100

** The a/c is NPA with [redacted]

It has also been observed that there were overdue of Rs 2.34 crores in the account at the time of above disbursement, indicating that such disbursement may have been utilised to clear the existing overdue position. This information pertaining to such disbursements has never been informed to the Board.

Also refer CNK Comments on "Evergreening" below Matrix showing Loan Accounts and observations on page 5-6 of this report.

Relevant extract of the disbursement note is as below:

2. Disbursement Details

Particular	Till the Date of LCN i.e. 25th Aug 15		Present Request		Total after proposed disbursement	
	Rs Cr	% of Sanction	Rs Cr	% of Sanction	Rs Cr	% of Sanction
Disbursement by Consortium*	234.20	95.98%	2.10	0.86%	236.30	96.84%
Disbursement of PFS	47.75	95.50%	1.00	2.00%	48.75	97.50%

* *As per LCN*

- Reason for any deviation in the proportion of PFS disbursement from the proportion of other co lender disbursement – BOI is not disbursing the fund since last 3 LCNs & they have declared the Account as NPA

C N K & ASSOCIATES LLP MUMBAI Chartered Accountants

C. Disbursement done despite slow progress of project (based on false site visit reports):

PFS has in its disbursement note dated 28th July 2014 stated that an amount of Rs 50 lakhs is being proposed basis the below critical points for consideration:

1. The project is delayed by 2 year and the revised COD is 31st January 2015. Furthermore, delay is expected by 8-10 months. The delay in the project commissioning is mainly on account of delay in first disbursement by [redacted] and thereafter delay in supply of material due to delay in opening of LC.
2. Lead bank had appointed Lenders Engineer (LE) for monitoring of project by consortium, however it has been observed by consortium that LE is not submitting its report to banks as per timeline agreed. The note further stated that PFS has done independent assessment of project before proposed disbursement.

CNK observations on the above are as under:

a) The site visit report does not mention the details of personnel who have performed the site visit;
b) The site visit report is neither stamped nor signed by the authorised personnel's;
c) There was undue haste in disbursement of the funds without obtaining newly appointed Lenders Engineer report for monitoring project progress.

The above observations imply that the site visit report was falsely presented, and disbursement was wrongly done basis the above site visit report.

The matter pertaining to delayed progress have also been discussed subsequently in the 35th Audit Committee meeting dated 09 November 2015, relevant extract of minutes reproduced as below:

"It was informed that the project is under financial distress since last 10-12 months, there is no substantial work at site in last 10-12 months. The company is not able to raise the required equity to mobilize the resources. Further, [redacted]ide Letter no. ID/CPP/PI/358, Dated 21 May 2015 has issued legal notice to the borrower for not making payments to them, and has put a hold on project execution on 14.05.2015. Subsequently due to non- release of payments, [redacted] has started the arbitration proceedings.

The Committee stated that as the project is under financial distress. PFS appraisal could not identify the risk area which had been identified by another lender and decided not to disburse. The Committee was informed that before sanction, PFS team had enquired with one o the co-lender at that point of time, for reason for not disbursing of loan and accordingly PFS addressed its concern arose after discussion with co-lender in the proposal placed for sanction.

The Committee desired that a report may be put up to the Committee in respect of comparison of original cost and cost overrun of the project and validity of the assumptions taken at the time of sanction of project and present status of the project."

Subsequently the account has been reported as Fraud by PFS with [redacted] and the same was informed to the Board in its 129th Board Meeting dated 29 October 2020.

We have noted the response of the management that adequate measures will be taken going forward to mitigate the above finding.

MUMBAI

D. Disbursement for clearing overdues:

The disbursement note dated 28 July 2014 (as referred to in point 3 above) has mentioned and authorised the below [redacted] escrow account details for disbursement of the funds.

It is requested to kindly approve the disbursement of Rs.50.0 Lakhs (Rupees Fifty Lakh Only) to the borrower. The detail of escrow with [redacted] is mentioned below:

Name of Beneficiary	[redacted]
Bank Name & Address	[redacted] 4, India Exchange Place, Kolkata-700001
Account No	00290200001347
IFSC Code	[redacted]

Submitted for kind consideration and approval.

However, in the subsequent disbursement advise as received from Lead Bank [redacted] it has been brought to notice that the above disbursement amounting to Rs 50 lakhs was conducted to an account other that the designated Escrow account of the borrower which is contrary to the principles of consortium lending and has strongly advised PFS to avoid such practices in future.

The relevant extract of the letter is reproduced below:

Name of Bank	Share %	LIMIT	Disb Made so far	[illegible]	[illegible]	Share of Disb [illegible] %
[redacted]	30.74	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	30.74	7500.00	[illegible]		[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]			[illegible]
PTC India Financial Services Ltd (*)	20.49	5000.00	[illegible]		[illegible]	[illegible]
Total	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]

Yours faithfully,

Upon verification of email as stated above and the response of the company to the same, it has been observed that the disbursement of Rs. 50 lakhs were adjusted by PFS against its own interest overdues as per clause 3.2 of the facility agreement dated 31 March 2011. The Company has also obtained confirmation from the borrower prior to disbursement for adjustment of such overdues against its interest. Though this email should have originated from the official email server of the borrower, surprisingly. Such confirmations emails were not from the official email ids of the borrower, but from Hotmail domain.

Given below are the extracts of the same:

[redacted]
[illegible]
[redacted]
[illegible]

Dear Sir,

You may adjust your [illegible]

[illegible]

Kindly acknowledge & do the needful.

Thanks
[redacted]
[illegible]

There have also been subsequent instances wherein the disbursement amounts have been adjusted against interest dues of the borrower.

Given below are the details of disbursements which have been adjusted against borrower interest overdues:

Date	Amount of Disbursement (Rs.)
08 August 2014	0.50 crores
23 March 2015	1.30 crores
30 March 2015	0.24 crores
30 June 2015	0.63 crores
03 November 2015	1.25 crores
Total	**3.92 crores**

Also refer CNK Comments on "Evergreening" below Matrix showing Loan Accounts and observations on page 5-6 of this report.

Given below are the screenshots of the borrower accounts in books of Company:

1-Apr-2014 to 31-Mar-2015

Page 1

Date		Particulars	Vch Type	Vch No.	Debit	Credit
1-4-2014	To	Opening Balance			37,03,95,606.00	
29-4-2014	To	Yes PFS C/A-000382000001344	Payment	PFS/0130/14-15	3,00,00,000.00	
5-6-2014	To	Yes PFS C/A-000382000001344	Payment	PFS/0382/14-15	2,00,00,000.00	
8-8-2014	To	[redacted]	Journal	PFS/1595/14-15	50,00,000.00	
29-9-2014	To	Yes PFS C/A-000382000001344	Payment	PFS/1105/14-15	50,00,000.00	
23-12-2014	To	Yes PFS C/A-000382000001344	Payment	PFS/1793/14-15	1,95,00,000.00	
31-12-2014	To	Yes PFS C/A-000382000001344	Payment	PFS/1862/14-15	60,00,000.00	
23-3-2015	To	[redacted]	Journal	PFS/4510/14-15	1,30,00,000.00	
30-3-2015	To	[redacted]	Journal	PFS/4698/14-15	23,61,139.00	
					47,12,56,745.00	
	By	Closing Balance				47,12,56,745.00
					47,12,56,745.00	47,12,56,745.00

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Date		Particulars	Vch Type	Vch No.	Debit	Credit
1-4-2015	To	Opening Balance			47,12,56,745.00	
30-6-2015	To	[redacted]		PFS/1007/15-16	62,58,550.00	
15-9-2015	To	Yes PFS C/A-000382000001344	Payment	PFS/1053/15-16	1,00,00,000.00	
3-11-2015	To	[redacted]		PFS/2937/15-16	1,24,84,705.00	
					50,00,00,000.00	
	By	Closing Balance				50,00,00,000.00
					50,00,00,000.00	50,00,00,000.00

Following are the key findings of the Forensic Audit report as issued by [redacted] as per which there were serious irregularities in the conduct of the borrower, which have not been into cognisance by PFS. (Also refer Exhibit IVB)

- The company has taken loan of Rs.244 Crores from consortium of banks. As per the Terms & Conditions of loan, the Company had to introduce Equity/ Own Contribution of Rs. 105 Crores. Company had issued a Compulsory Convertible Debenture (CCD) of [redacted]. Of Rs. 50 Crores by pledging the shares of [redacted]. During the year ended 31st March 2016, Rs. 105 Crores was shown as Equity introduced by the promoters in the company but out of this Rs. 2.60 Crores was shown as equity by passing a Journal Entry of Share capital introduced and Loans & advances given. During the year ended 31st March 2017, the above-mentioned Journal Entry was reversed.
- Some of the amount received from [redacted] Was given as loans & advances for Share application money to various parties and the same was then invested back into company by way of share application money.
- In FY 16-17, Share Application pending allotments of Rs. 24.50 Crores is written off by passing journal entry with advance given for share application money.
- The Total effective share capital introduced by promoters was Rs. 84.97 Crores i.e., (shortfall of Rs. 20.03 Crores).
- As per sanction, land was to be purchase by company and accordingly advances of Rs. 3.50 Crores was given. However thereafter company took the land in lease from [redacted] advance is still reflecting in balance sheets as advances for land.
- Capital work in progress Rs. 94.19 Crores & preoperative expenses of Rs. 130.10 Crores have been written off by way of impairment during the years totalling to Rs. 224.29 Crores.
- High amount of provisions of Rs. 31.59 Crores for non-recoverable capital advances have been made during the year ending 31st March 2017. Out of this Rs. 7.11 Crores was given to [redacted] & Rs. 12.00 Crores was given to [redacted], As contract advances. Advance of Rs. 9.67 Crores given for share application to whom share were allotted have been written off as Non-Recoverable Capital advances.

Analysis of Ratios:

- The current ratio of the company has reduced drastically from the FY 2012-13 to FY 2017-18 which indicates that the company is not solvent enough to meet the day-to-day obligations of the company.
- The low acid ratio also indicates the company's insufficient cash balance to meet their current liabilities.
- The negative debt equity ratio itself is an indicator of unsoundness of long-term financial policies of a company.
- The capitalisation ratio of the company has remained the same throughout all the years. The debt equity infusion has been higher compared to the equity infusion resulting in the non-contribution of the promoters towards the cost of the project.

Provision for Non-Recoverable Capital Advances:

- A provision of non-recoverable capital advances has been accounted in the FY 2016-17 amounting to Rs. 31.58 Crores indicating that loans and advances have been completely written off.

Infusion of capital by the promoters:

- The Company has not infused the required equity as required by the loan agreements to bring the project to an operating level. The multiple transactions of equity infusion through Share Application with subsequent write off tantamount to reduction of capital which is bad in law and lacking in prudent accounting policies and processes.
- The effective equity portion of the capital is funded only to the extent of Rs. 84.97 Crores as against the commitment of Rs. 105 Crores.
- An amount of Rs. 24.5crs has been provided as advance for share application which has been invested back in company as share application money. However, the same is written of in FY 2016-17.
- Multiple related party transactions have been identified that indicate loans funds being utilized to infuse equity through a web of transactions.

Non allotment of share application money and subsequently writing of the same:

- The share application money has not been either allotted to the members are returned back to them within the specified time frame.

Related Party Transaction:

- The advances have been provided to the related parties for purposes such as share application money, other advances etc.
- Land to be acquired as per the project plan has been substituted with lease land from a related party with no reduction to project loan requirements or documented no- objection of approval from the term lenders.

CNK Conclusion:

Based on the above observations, our conclusion in the matter is as under:

1. The disbursements were made basis CA certificate of equity infusion without exercising appropriate review and monitoring mechanism, such equity infusion in the account has been subsequently written off by the borrower;

2. The false site visit report has been presented in order to facilitate the disbursement;

3. Disbursements are made despite borrower being classified as NPA with other banks and funds have also been disbursed for adjustment of PFS's own interest overdues.

4. **Also refer CNK Comments on "Evergreening" below Matrix showing Loan Accounts and observations on page 5-6 of this report.**

[redacted]

Index:

Sr No.	Observations
A.	Possible evergreening of the loan account
B.	Extension of availability period
C.	Non-Compliance of critical pre disbursement conditions
CNK Conclusion	
Exhibits (VA to VF)	

Background:

PFS has sanctioned below two loans to DWPL:

a) Term loan amounting to Rs 100 crores under sole lending was sanctioned in 73rd Board meeting dated 26 December 2015 for setting up [redacted] 9.2 MW Wind Power Project [redacted] The sanction was further enhanced to Rs 117 crores in 78th Board of Directors meeting held on 08 July 2016.

b) Term loan amounting Rs 169 crores under sole lending has been sanctioned in 83 Board Meeting dated 08 November 2016 for setting up of [redacted] 25.3 MW Wind Power Project [redacted]

Summary:

S.No	Particulars	Comments
1.	Name of Account	[redacted]
2.	Amount Sanctioned	Rs. 117 Crores
3.	Date of Board Approval	• Initially ***Rs. 100 Crores*** have been sanctioned vide ***73rd Board Meeting held on 26th December 2015.*** • Subsequently the loan has been ***enhanced to Rs. 117 Crores*** vide ***78th Board Meeting held on 08th July 2016.***
4.	Date of Loan Agreement Execution	• 04th May 2016 for Rs. 100 Crores. • 20th September 2016 for enhanced loan facility of Rs. 117 Crs.
5.	Group Exposure (at the time of Sanction)	• Rs. 100 Crores at the sanction of Rs. 100 Crores. • Rs. 117 Crores on sanction of enhanced facility of Rs. 117 Crs.
6.	Status of Loan Account	Stage 3

S.No	Particulars	Comments
1.	Name of Account	[redacted]
2.	Amount Sanctioned	Rs. 169 Crores
3.	Date of Board Approval	83rd Board Meeting Dated 08th November 2016
4.	Date of Loan Agreement Execution	09th March 2017
5.	Group Exposure (at the time of Sanction)	286 Crores
6.	Status of Loan Account	Stage 3

The following are the observations for the above loan:

A. Possible evergreening of the loan account:

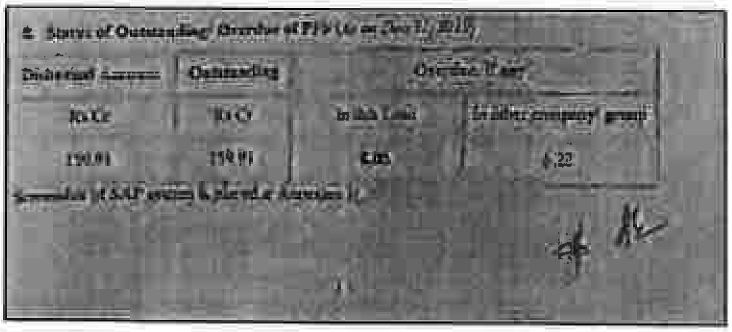
Although the relevant authorities approving the disbursement were aware regarding pending compliance of pre-disbursement condition (disbursing more than 90%), the disbursement was duly approved and made to the borrower, the same can be evidenced from the below extract of the disbursement note dated December 31, 2019:

"A Meeting was conducted between Officials of PFS Disbursement unit and PFS Monitoring unit to discuss the matter and it was decided to consider borrower's request for Disbursement. In View of the same, instant Request is being considered for payment, pending compliance of pre-Disbursement conditions viz. Payment of PFS overdue, approval of Tariff, pending execution o[redacted] lease deed with [redacted], creation of DSRA etc. Accordingly, PFS may disburse Rs. 9.09 crores to the Borrower."

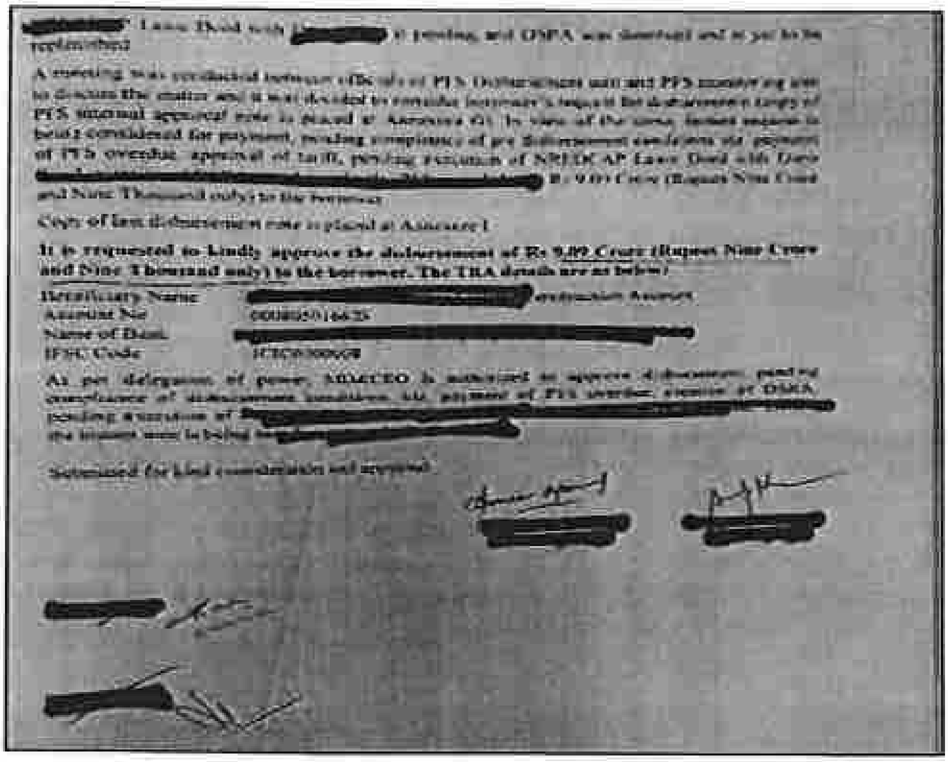
It is also to be noted that at the time of said disbursement there were over dues in the borrower account and its group account. Such disbursement as at (quarter end i.e, 31 December 2019) may have been used by Borrower for clearing of critical overdues in the account. The same has also been highlighted by Internal Auditors in their report for quarter 4 of financial year 2019-2020 (Refer Exhibit VA).

Also refer CNK Comments on "Evergreening" below Matrix showing Loan Accounts and observations on page 5-6 of this report.

Relevant extracts of disbursement note have been provided below:



Disbursed Amount	Outstanding	Overdue	
Rs Cr	Rs Cr	In this Loan	In other company/ group
150.01	[illegible]	[illegible]	6.22



[redacted] Lease Deed with [redacted] is pending and DSRA [illegible] replenished

A meeting was conducted between [illegible] PFS Disbursement unit and PFS monitoring [illegible] to discuss the matter and it was decided to consider borrower's request [illegible] PFS internal approval note is placed at Annexure [illegible] being considered for payment, pending compliance of pre disbursement conditions viz. payment of PFS overdue, approval of tariff, pending execution of NREDCAP Lease Deed with [illegible] [redacted] Rs 9.09 Crore (Rupees Nine Crore and Nine Thousand only) to the borrower.

Copy of loan disbursement note is placed at Annexure [illegible]

It is requested to kindly approve the disbursement of Rs 9.09 Crore (Rupees Nine Crore and Nine Thousand only) to the borrower. The TRA details are as below:

Beneficiary Name	[redacted] [illegible]
Account No	[illegible]
Name of Bank	[redacted]
IFSC Code	[illegible]

As per delegation of power, MD&CEO is authorised to approve disbursement pending compliance of disbursement conditions viz. payment of PFS overdue, [illegible] of DSRA, pending execution of [redacted] the [illegible] is being [redacted]

Submitted for kind consideration and approval.

[redacted]

B. Extension of availability period:

The proposal for extending the availability period has been approved Vide File no. PFS/DWPPL/DD0706002/Monitoring/02 date 12th December 2019 when the account was under overdue position.

This is important and critical, as changes and modifications regarding "validity period / availability period" have been made vide note which was initiated by credit monitoring team and approved by MD&CE. This has resulted in additional disbursements (out of the undisbursed portion of the sanctioned facility) in the loan account during the month of December 2019, the proceeds of which were utilized to clear the "critical overdue positions" by the borrower.

MUMBAI

Given below is the extract of the note for approval of extension of availability period:

Dear Sir,

This has reference to your request vide letter cited above for the subject mentioned project and further discussions held with your representatives from time to time. Your request for extension in availability period has been considered and following amendment has been accorded by PFS.

Original Condition (As per Facility Agreement)	Amended Condition
Availability Period: Availability period shall mean period from the date of this Agreement until the earlier of (i) the date falling 6 (six) months after COD; or (ii) the date on which the commitment under this Agreement shall have been terminated pursuant to the terms of this Agreement.	**Availability Period:** Availability period shall mean period from the date of this Agreement until the earlier of (i) upto 31st March 2020; or (ii) the date on which the commitment under this Agreement shall have been terminated pursuant to the amended terms of this Agreement.

All other terms and condition of sanction letter, facility agreement and amendment(s) thereof shall remain unchanged.

Yours faithfully,
For and behalf of PTC India Financial Services Ltd.

[redacted] [redacted]

C. **Non-Compliance of critical pre disbursement conditions:**

Disbursements dated 31st December 2019 has been made to the borrower pending compliance of critical pre-disbursement conditions as stated below:

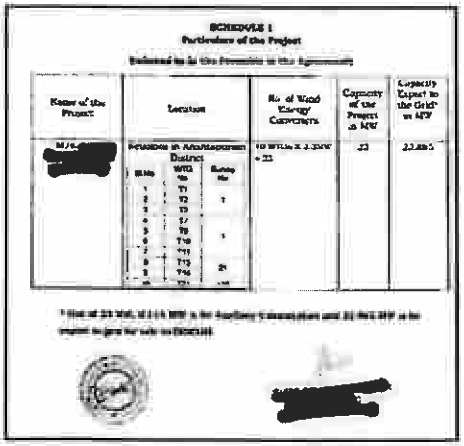
S.No.	Conditions for disbursement beyond 90% of the facility	Status as per security tracker
1.	The Borrower shall have created all the Securities in terms of the Clause 3.IA of this Agreement	Partially Complied
2.	The Borrower shall have entered into a Long term PPA for 100% (one hundred percent) sale of power generated from the Project with the state utility at a minimum sale rate of Rs 4.84/unit, to the satisfaction of the Lender. If the PPA is signed at tariff lower than Rs. 4.84/un it, the Lender shall have the right to stipulate additional conditions, including but not limited to decrease in Debt-to-Equity Ratio, as deemed fit by the Lender	Pending
3.	The borrower shall have created DSRA 1 quarter in the terms of this agreement	Non-Complied

The borrower had entered into power purchase agreement (on 31st October 2016) with [redacted]imited for 23 MW.

As per the sanction terms the project was sanctioned for development, construction and operation of 25.3 MW Wind Based Power Project in [redacted]. However, the sanction letter (dated 08 December 2016) had specifically stipulated that the disbursement beyond 90%, would be upon borrower having entered into long term PPA for 100% (i.e.,25.3 MW) sale of power generated from the project with the state utility at a minimum sale rate of Rs. 4.84/unit, to the satisfaction of PFS.

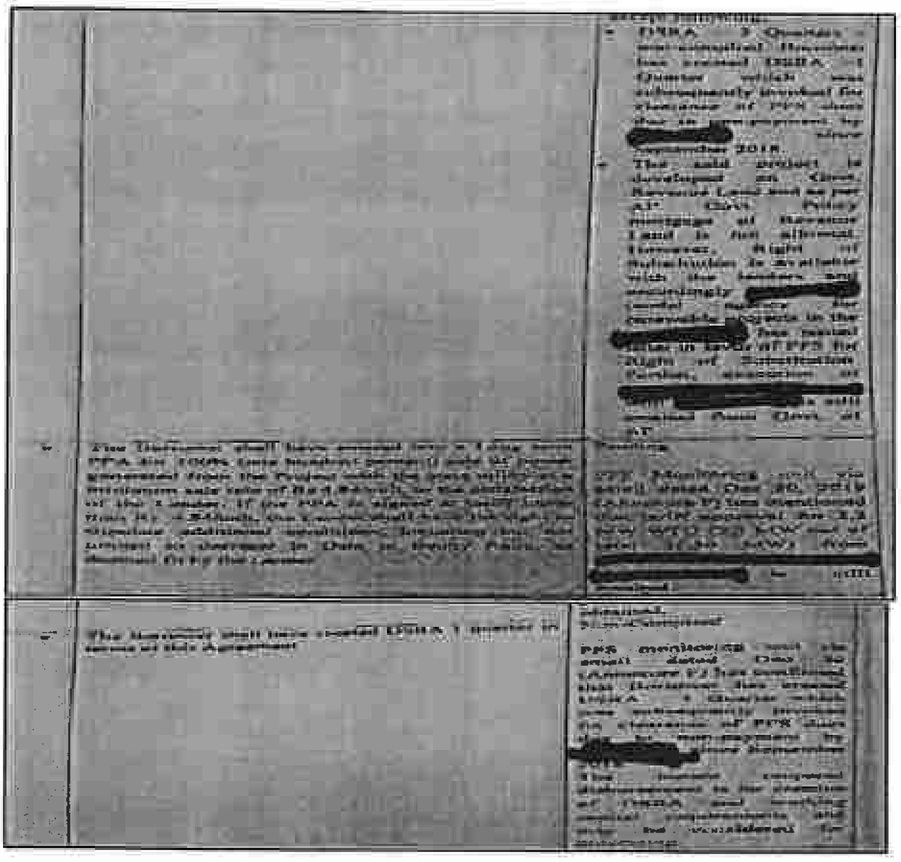
However as per the disbursement note, the tariff approval for 2.3 MW sale of power generated from the project was pending approval from APERC.

We have observed that 100% disbursement was made despite being aware of the fact that tariff approval as above was pending and that all the securities as per clause 3.IA of the agreement were only partially complied. These compliances were stipulated prior to 90% of the disbursement and extension of timelines by management for compliance to such security compliance defeats the purpose of stipulating the condition in the sanction note.



Relevant extracts of the disbursement note have been produced below:

5.4	Condition for Disbursement beyond 90% (ninety percent) of the Facility	
a.	The Borrower shall have created all the Securities in terms of the Clause 3.1A of this Agreement	Partially Complied Monitoring unit via email dated 30.12.2019 (Annexure F) has mentioned that all the securities have been created



CNK Conclusion:

Based on the above observations, our conclusion in the matter is as under:

1. Possible evergreening of the account due to disbursements being made despite overdues in the account by extension of availability period, such disbursement could have been used by borrower to clear the critical overdue positions;

2. Disbursement is made pending compliances of critical pre disbursement conditions like pending tariff approval of PPA for the entire sanctioned capacity of the project;

3. **Also refer CNK Comments on "Evergreening" below Matrix showing Loan Accounts and observations on page 5-6 of this report.**

MUMBAI
Chartered Accountants

[redacted]

Index:

Sr No.	Observation
A.	Disproportionate disbursement of funds
B.	Disbursement made pending security creation
C.	Weak monitoring controls (Incomplete information in UDIN)
CNK Conclusion	
Exhibits (VIA to VID)	

Background:

PFS has sanctioned vide approval in Board meeting dated 13 November 2017 sanctioned an amount of Rs 196 crores for setting up 40 MW solar power project in the state of [redacted]. [redacted] is a special purpose vehicle (wholly owned subsidiary) of [redacted]

Summary:

S.No	Particulars	Comments
1.	Name of Account	[redacted]
2.	Amount Sanctioned	Rs. 196 Crores
3.	Date of Board Approval	97th Board Meeting held on 13th November 2017
4.	Date of Loan Agreement Execution	29th December 2017
5.	Group Exposure (at the time of Sanction)	Rs. 1,079 Crores
6.	Stage of Loan Account	Stage 2

The following are the observations for the above loan:

A. Disproportionate disbursement of funds:

PFS had sanctioned Rs 196 crores for 40MW solar power project against the project cost of Rs 272 crores in the debt equity ratio of 72: 28.

However as per Lenders Independent Engineers (LIE) Due Diligence Report for November 2018 it was highlighted that overall physical progress along with installed plant capacity were 75% and 50% respectively. It is also expected that the project would be completed in Dec 2018.

It is observed that PFS has capped the disbursement to Rs 162 crores vide its disbursement note no. DV0705001/03 dated 28th February 2019 wherein a disbursement of Rs 10.67 crores was approved despite knowing the fact that the installed capacity of the project is only 50% achieved.

The matters highlighted by LE regarding project completion in its report for November 2018 has been overlooked by PFS in its disbursement dated 28 February 2019.

Had the terms of original sanction been followed, the actual disbursement should have been restricted as under:

Particulars	
Original Capacity (as per original sanction)	40 MW
Original sanction amount (Rs.)	196 crores
Installed Capacity (as per LIE DD report)	50%
Proportionate sanction amount basis installed capacity (Rs.)	98 Crores
Actual disbursement done (Rs.)	162 Crores
Excess disbursement (Rs.)	64 Crores

Further basis the documents produced before us, we have not been able to verify the supporting and basis for the components of the amounts mentioned by management in its response.

B. Disbursements done pending security creation:

An amount of Rs. 10.67 crores have been disbursed on February 28, 2019. The status for compliance of the following were, however, not available:

S.No.	Security
1.	Mortgage and exclusive charge on land acquired by [redacted]
2.	Assignment by way of Security Interest/ charge on all the rights, title, interest, benefits claims and demands whatsoever of the borrower in: a) the Project Documents, b) clearances related to the project, c) in any other LC/guarantee etc., d) Insurance proceeds.

As per original sanction the timeline for above security creation was available till six months from initial drawdown. The initial drawdown was approved on 26 March 2018. Basis the initial sanction condition the time limit for compliance was available up to September 2018. The above compliance was further extended to 31 May 2019 vide internal note dated 18 December 2018. Though the timelines for security creation were extended, PFS had already disbursed funds amounting to Rs 162 crores pending critical security creation on 28 February 2019. This has resulted in imperfect security creation at the time of disbursement.

- Overdue as per overdue report

[F]urther, Borrower also requested PFS for extension of timelines for mortgage of immovable properties & [assi]gnment of project documents on account of delay in mutation activities. (Request letter attached at Annexure – E)

The land used in project is private land. Land ceiling limit under odisha land reform act 1960 and Right to fair compensation and Transparency in land acquisition in Orissa and other regulatory issues has unexpectedly sluggish the land acquisition process which has delayed the commissioning of the project and security creation process.

Currently, Mutation has been done for 130 acres out of 183 acres & balance mutation of 53 acres expected to be complete in next two months. Security perfection and Mortgage is expected to be done by Mar 31, 2019.

Hence, PFS may grant extension to create mortgage of immovable properties and assignment of project documents till 31st May 2019.

Proposal: Considering above, following proposals may be considered subject to approval of competent authority:

- SCOD extension to 20th Dec 2018 along with consequential shift in Repayment Schedule and other security compliances linked to SCOD.
- Min. DSCR may be kept at 1 in FY19-20 till further clarification in tariff from [redacted]
- 1st Qtr. DSRA may be created, being part of the project cost
- Timelines to create Mortgage of immovable properties & assignment of project documents may be extended till 31st May 2019.

C. Weak monitoring controls (Incomplete information in UDIN):

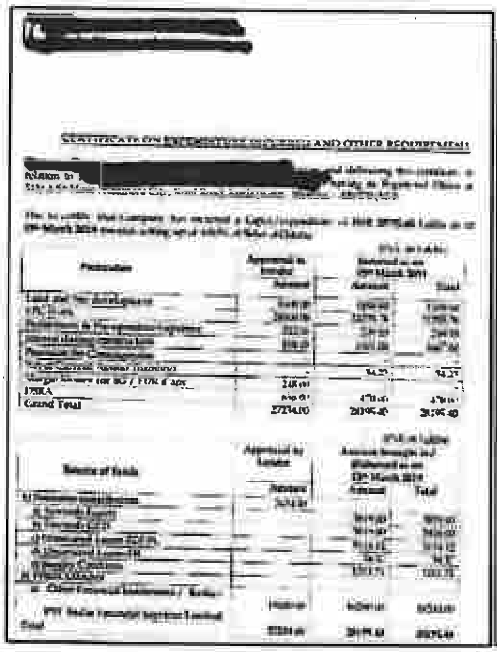
From the records produced before us, borrower has submitted Chartered Accountants (CA) certificate dated 08 May 2019 to PFS wherein the CA has duly certified the expenditure incurred and promoters' contribution towards the company. (The extract of the certificate is as given below)

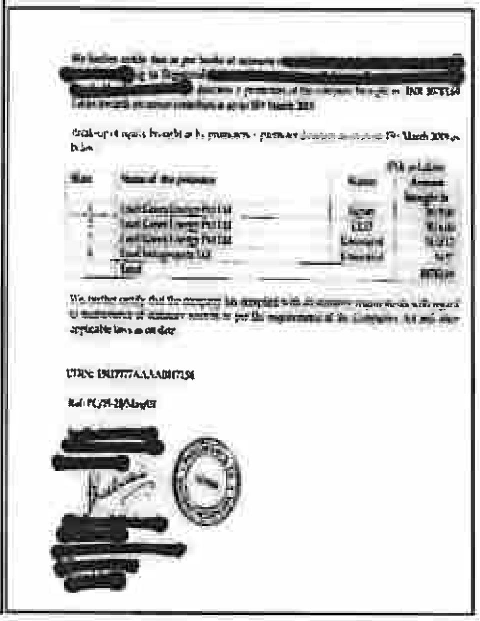
Upon verification of the UDIN on ICAI portal it was seen that the amount entered on UDIN portal was only towards expenditure incurred, however the amount of contribution by promoters has not been entered in UDIN creation. This is not in line with the certificate provided by the Chartered Accountant as in his certificate he has certified the expenditure incurred as well as promoters' equity infusion in the borrower company.

The above discrepancy in the certificate as issued by CA and the details of the certificate as available on UDIN portal, reflects a gap in the monitoring mechanism of the Company as the same reflects on the authenticity of the certificate obtained.

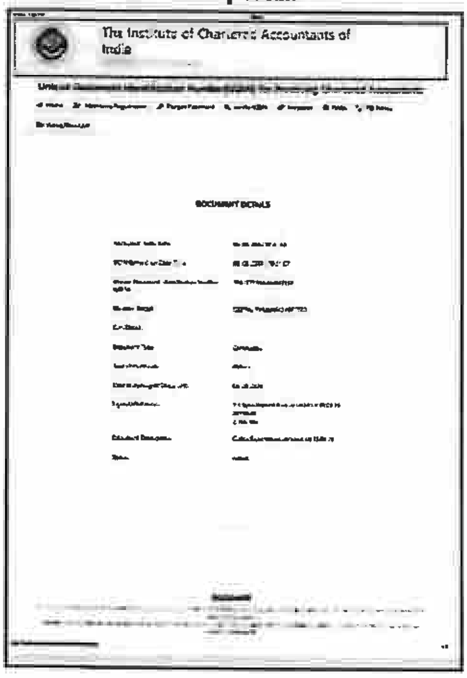
ASSOCIATES LLP
MUMBAI
Accountants

Extract of CA certificate:





Extract of ICAI UDIN portal:



We have noted the management response that adequate measures will be taken going forward to mitigate the above finding.

CNK Conclusion:

Based on the above observations, our conclusion in the matter is as under:

1. Compared to the plant's installed capacity and overall physical progress, excessive funds amounting to Rs 64 crores have been disbursed;

2. Disbursement made despite pending security creation for the facility;

3. Weak monitoring controls of PFS on CA certificates provided by the borrower regarding expenditure incurred and the equity infusion by the promoters.

VII. [redacted]

Index:

Sr No.	Observation
A.	Disbursements done for clearing of overdue positions
CNK Conclusion	
Exhibit (VIIA)	

Background:

PFS has sanctioned Rs 223 Crores to [redacted] under consortium financing with [redacted] being the lead bank for setting up of 144 MW hydro energy power project in [redacted]. The above sanction was approved in 48th Board Meeting held on 11th February 2013.

Summary:

<table>
<tr><th>S.No</th><th>Particulars</th><th>Comments</th></tr>
<tr><td>1.</td><td>Name of Account</td><td>[redacted]</td></tr>
<tr><td>2.</td><td>Amount Sanctioned</td><td>Rs. 223 Crores</td></tr>
<tr><td>3.</td><td>Date of Board Approval</td><td>48th Board Meeting held on 11th February 2013</td></tr>
<tr><td>4.</td><td>Date of Loan Agreement Execution</td><td>21st August 2014</td></tr>
<tr><td>5.</td><td>Group Exposure (at the time of Sanction)</td><td>Rs. 250 Crores</td></tr>
<tr><td>6.</td><td>Status of Loan Account</td><td>Account has been classified as NPA on 31st March 2018 and the outstanding balance as on 31st December 2021 is Nil.
The following are the details of repayment and written off amounts:
(Amount in Rs. Crores)
<table>
<tr><th>S.No</th><th>Particulars</th><th>Amount</th></tr>
<tr><td>1.</td><td>Total Disbursed Amount</td><td>74.25</td></tr>
<tr><td>2.</td><td>Less</td><td></td></tr>
<tr><td></td><td>a. Amount repaid in FY 2020-21</td><td>37.37</td></tr>
<tr><td></td><td>b. Amount written off in FY 2020-21</td><td>32.88</td></tr>
<tr><td>3.</td><td>Closing Balance as on 31st March 2021</td><td>4.00</td></tr>
<tr><td>4.</td><td>Amount repaid during Q1 of FY 2021-22</td><td>4.00</td></tr>
<tr><td>5.</td><td>Balance as on 31st December 2021</td><td>-</td></tr>
</table>
</td></tr>
</table>

The following are the observations for the above loan:

A. Disbursements done for clearing of overdue positions:

Although the borrower was not having any significant improvement in Physical and financial progress, funds were continuously being released for adjustment against the overdue as given in below table.

As can be seen below and also as mentioned in the disbursement notes the disbursements are done for the purpose of clearing of interest overdues in the borrower account. Such disbursement has also led to clearing of critical overdue positions of the borrower.

PFS has also disbursed such amounts without ascertaining the compliance of pre disbursements conditions prior to each disbursement. The same has also been mentioned in the disbursements note as below:
"As per the delegation of power MD & CEO is authorised to approve disbursement pending compliance of pre disbursement conditions. In the absence of LCN the status of PDC could not be ascertained viz., CA certificate, borrowers certificate including confirmation regarding clearances and approvals and financial covenants, status of technical and economic clearance by central electricity authority, environment management plan, execution of PPA for at least 50% power etc."

The borrower was subsequently classified as NPA in 31st March 2018 there is also a-write off subsequent to OTS in the account.

Also refer CNK Comments on "Evergreening" below Matrix showing Loan Accounts and observations on page 5-6 of this report.

Following are the disbursement wise details:

Disbursement Details	Overdue adjusted for	Overdue	Disbursed Amount
Disbursment-8 (29 June 2016)	01.04.2016	47,083	
	01.05.2016	67,22,315	
	01.06.2016	69,71,623	
	01.07.2016	68,35,888	
	Total	**2,05,77,109**	**1,85,19,398 (net of TDS amounting to Rs. 20,57,711)**
Disbursment-9 (26 September 2016)	01.08.2016	71,29,180	
	01.09.2016	71,75,905	
	01.10.2016	70,36,530	
	Total	**2,13,41,615**	**1,92,07,456 (net of TDS amounting to Rs. 21,34,159)**
Disbursement-10 (06 March 2017)	01.11.2016	72,43,675	
	01.12.2016	70,09,203	
	01.01.2017	73,24,444	
	01.02.2017	74,16,771	
	01.03.2017	68,14,164	

	Total	3,58,08,257	**4,00,00,129 (includes total TDS for Disbursement 8 and Disbursement 9 of Rs 41,91,870)**
Disbursment-11 (28 June 2017)	01.04.2017	75,10,971	
	01.05.2017	75,42,722	
	01.06.2017	77,57,588	
	01.07.2017	75,20,444	
	Total	**3,03,31,725**	**3,03,31,725**

Relevant extract of Disbursement Note 08:

7. Comments and Recommendations (Indicate relaxations, if any and relevant DOP)

Main issues are pointed out by the monitoring team are mentioned above. It may be noted that the EPC Contractor has demobilised resources from the site.

In line with clause 2.9 of the Facility Agreement, PFS may adjust its interest overdue by way of disbursement of Term Loan. Current overdue (including June 2016) are of Rs 2,05,77,109/- (Rupees Two Crore Five Lacs Seventy Seven Thousand One Hundred and Nine only). Accordingly, PFS may disburse Rs 1,85,19,398/- (Rupees One Crore Eighty Five Lacs Nineteen Thousand Three Hundred Ninety Eight only) (net of TDS) and adjust the same towards interest overdue. Copy of last disbursement note is placed at Annexure F.

It is requested to kindly approve the disbursement of Rs 1,85,19,398/- (Rupees One Crore Eighty Five Lacs Nineteen Thousand Three Hundred Ninety Eight only) (net of TDS) and adjust the same towards interest overdue.

As per delegation of power, MD&CEO is authorized to approve disbursement pending compliance of pre-disbursement conditions. In the absence of LCN, status of PDCs could not be ascertained, viz. CA certificate, borrower's certificate including confirmation regarding clearances & approvals and financial covenants, status of technical and economic clearance by Central Electricity Authority, environment management plan, execution of PPA for atleast 50% power etc.

Submitted for kind consideration and approval.

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

2016

Relevant Extract of Disbursement note 09:

[illegible]

[redacted] [illegible]

[redacted] [illegible]

[redacted]

Relevant Extract of Disbursement Note 10:

7. Comments and Recommendations (Indicate relaxations, if any and relevant DOP)

In line with clause 2.9 of the Facility Agreement, PFS may adjust its interest overdue by way of disbursement of Term Loan. Current overdue is Rs 3,58,08,257/- (Rupees Three Crore Fifty Eight Lacs Eight Thousand Two Hundred and Fifty Seven only). Interest adjusted by PFS during FY2017 (Till Sept 2016) is Rs 4,19,11,774/- (Gross basis). TDS payable – Rs 41,91,272/-.

Accordingly, PFS may consider for disbursement of Rs 4,00,00,129/- (Rs Four Crore and One Hundred Twenty Nine only) as under, pending compliance of conditions precedent to subsequent disbursement as mentioned above:

1. Adjustment of Rs 3,22,27,431/- (Rupees Three Crore Twenty Two Lacs Twenty Seven Thousand Four Hundred Thirty One only) towards interest overdue till March 01, 2017.
2. Disbursement of balance Rs 77,72,698/- (Rupees Seventy Seven Lacs Seventy Two Thousand Six Hundred Ninety Eight only) into the TRA account towards TDS payable by the borrower.

TRA Bank, IDBI bank via email dated Mar 06, 2017 (Annexure E) has confirmed that the company has undertaken that the amount shall be utilized towards payment of TDS to IT Department and after the transaction, company would submit the necessary evidence. The same may be ensured by IDBI.

Copy of last disbursement note is placed at Annexure D.

It is requested to kindly approve the disbursement of Rs 4,00,00,129/- (Rs Four Crore and One Hundred Twenty Nine only) as above, pending compliance with conditions precedent to subsequent disbursements, as mentioned above. TRA account details are as under:

C N K & ASSOCIATES LLP MUMBAI Chartered Accountants

CNK Conclusion:

Based on above observation, our conclusion in the matter is as under:

1. Disbursements have been made to clear the overdue positions of the borrower with company. The account has subsequently turned NPA as on 31 March 2018 and written off in FY 2020-21;

2. Disbursements for purpose of clearing of interest overdues and approval of the same by the management reflects on the inherent credit risk of the borrower and also misuse of authority by the management. This amounts to disbursement for the purpose of evergreening of the loan account.
   Also refer CNK Comments on "Evergreening" below Matrix showing Loan Accounts and observations on page 5-6 of this report;

3. Disbursements made without receipt of LCN from the lead bank (IDBI);

4. In respect to the disbursements approved vide date 29th June 2016 and 26th September 2016 we are unable to ascertain whether the disbursement was done in TRA accounts of the Borrower;

5. Compliance of pre-disbursement conditions for the above disbursement are not verified by Company.

[redacted]

Index:

Sr No.	Observation
A.	Extension of Timelines for commitment and drawdown Conditions
B.	Disbursement without obtaining LCN and pending Compliance of Pre-Disbursement Conditions
C.	Disbursement without complying the security creation condition
CNK Conclusion	
Exhibits (VIIIA to VIIID)	

Background:

[redacted] has been sanctioned a term loan debt of Rs. 200 crores under consortium finance in the 35th board meeting held on 01st March 2011 for 1200 MW domestic coal-based power project i[redacted].

Summary:

S. No	Particulars	Comments
1.	Name of Account	[redacted]
2.	Amount Sanctioned	Term Loan facility of Rs. 200 Crores which is further enhanced by 51 Crores
3.	Date of Board Approval	• Rs. 200 Crores has been approved vide Board meeting dated 01st March 2011. • Additional Rs. 51 Crores has been approved vide 76th Board Meeting held on 16th March 2016.
4.	Date of Loan Agreement Execution	• 30th March 2011 for Rs. 200 crores facility • 30th September 2016 for 51 crores
5.	Group Exposure (at the time of Sanction)	• 200 Crores for first sanction (Rs. 200 Crores) • 251 crores at the time of cost overrun sanction (Rs. 51 crores)
6.	Status of Loan Account	Stage 3

Observations:

A. Extension of Timelines for commitment and drawdown conditions:

As per ***clause 6. Conditions precedent to commitment and drawdown of the facility agreement dated 30th March 2011*** following conditions were required to be complied prior to commitment and disbursement.

S.NO	Conditions	Timeline
1.	The borrower shall commission railway link for the movement of coal from coal block.	31-12-2017
2.	The borrower shall enter O&M contracts/arrangement for executing O&M works on its own.	30-06-2015

3.	Completion of transmission lines from the Project Site to the nearest pooling station	31-03-2016
4.	Completion of balance land acquisition for main plant areas and create mortgage on the same	30-09-2016
5.	Relaxation of DE Ratio of to 3.6:1 as against the stipulated DE ratio of 3:1	31-03-2016
6.	Company needs to execute back-to-back power sale agreement for the entire output so as to ensure that the average gross DSCR is not less than 1.1	30-09-2016

The company has made several disbursements from 27th September 2011 to 18th June 2015 amounting to Rs. 173.64 Crores. The above pre-commitment and pre-drawdown conditions have been extended by the company along with the lead bank on a recurring basis and pending compliance disbursements have been made.

The company has disbursed 86.50% of the total sanctioned amount upto 18th June 2015 without complying the above conditions stipulated as per the facility agreement.

Below are the extracts of internal note for approval of timeline extensions of the following pre-commitment and pre-drawdown conditions:

(i) Commissioning of railway link:

6	The Borrower shall commission railway link for the movement of coal from coal block	Timeline to be extended till 31st December 2017	As SPV was formed in the name of [redacted] by [redacted]. As per the revised proposals the SPV purpose of [redacted]	The ... take ...

Present Clause	Proposed amendment	Rationale for amendment
Within nine (9) months before Scheduled COD or Project COD.		[redacted] for sharing one of their lines from [redacted]. In-principle approval for rail connectivity has been received for connection from [redacted] to power plant. [redacted], proposal for including [redacted] in East Corridor- I has been received and accordingly [redacted] will be joinign the same. [redacted] will build the railway line from [redacted] to [redacted]. [redacted] has appointed consultant for detailed survey of the same for which [redacted] is expected to be ready soon. Financial Implication on PFS: None

(ii) Executing O&M Contracts:

Borrower shall into O&M ... arrangement executing O&M ... on its own ... six (6) months ... prior to Project ... or Scheduled ..., whichever is ... (6) months before ... COD or ... COD, ... is earlier)	Timeline to be extended till 30th June, 2015	The company has submitted that it has tied up with [redacted] for training of O& M personnel, who are training the personnel on a periodic basis. However, as the project timelines are proposed to be revised, the company has sought an extension in timeline upto at least three months prior to COD for making necessary arrangements for executing the O&M works. The scheduled CoD of the project was 1st July'14 as per the CLA. Since the project is now expected to be commissioned by Oct'15, therefore, extension is sought. Financial Implication on PFS: None

(iii) DE Ratio:

Existing Condition	Modified Condition	Rational for amendment
Relaxation of DE Ratio of upto ...6:1 as against the stipulated DE ratio of 3:1 (earlier time line was till 30th Sept 2015)	Timeline to be extended till 31st March, 2016	As the company is facing issues in raising equity from its promoters, Lenders has sanctioned sub-debt of Rs 657 cr to Borrower which shall be treated as equity till equity infusion takes place. The above sanction of sub debt facility by lenders is in line with decision taken under Corrective Action Plan considered in Joint Lenders Forum (JLF) meeting. Financial implication on PFS: None
Repayment of Sub Debt of Rs 400 crores availed (earlier timeline was till 30th Sept 2015)	Timeline to be extended till 31st March, 2016	

(iv) For Remaining Condition:

Existing Condition	Modified Condition	Rational for amendment
Completion of transmission lines from the Project Site to the nearest pooling station. (earlier timeline was till 31st December, 2015)	Timeline to be extended till 31st March, 2016	The transmission line has been delayed on acco of modification in the network from a dou circuit line to a multi-circuit line and furt modifications on sharing of the network advised by [redacted]. As per the presents sta foundation work and tower erection work completed for entire Double Circuit Transmiss Line of 19.215 kms and stringing work is advance stage, which is expected be completed 31st March 2016. For Multi Circuit Transmission Line, construct work is completed and ready for charge. Since transmission line work is near completion and Unit 1 of the project is expected to be commissioned by September' therefore, time line extension may be acceded. Financial Implication on PFS: None
Completion of balance land acquisition for main plant area and create mortgage on the same. (earlier timeline was till 31st December, 2015)	Timeline to be extended till 30th September 2016	As per the Loan agreement Company w required to acquire and create mortgage of acre of Land (Pvt Land-919 acre, Govt land acre, Forest land-39 acre). Company has acqui the above pvt land and created security in fav of lender. Company has also acquired Govt la and Forest land, and security over Govt land acre) is in progress. Mortgage over Forest land excluded by lenders. In addition to that company is in process acquiring about 250 acres of land for [redacted] and green belt. Out the same about 56 ac of land has been acquired and acquisition balance land is in progress. As the proposed facility over the balance land not critical at this stage, the company's request timeline extension may be considered. Financial Implication on PFS: Nil, as comp has complied with terms and conditions stipula in Loan agreement and present timeline is additional land
o execute back to back power ale agreement on long term basis o as to ensure avg DSCR is not ss than 1.10 arlier timeline was till 31st ecember, 2015)	Timeline to be extended till 30th September, 2016	[redacted] has executed PPA with [redacted] through PTC) for 150 MW and with [redacted] (CSP Tradeco) for about 450 MW. About 180 MW is proposed to be sold on merchant/ short term basis. Balance about 370 MW would be sold on long term basis to state discom for which company would be participating in long term bids. Since the project is now expected to be commissioned by March'17 and PPA is tied up for Unit 1, therefore, execution of entire PPA for balance capacity on long term basis is not critical at this stage, therefore, the extension is being sought. Financial Implication on PFS: None

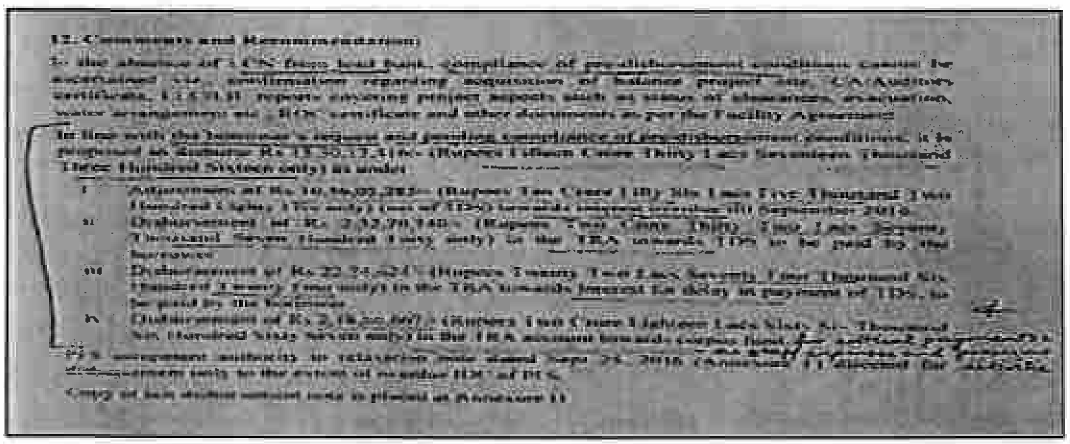
B. Disbursement without obtaining Lead Bank Confirmation Note (LCN) and pending compliance of Pre-Disbursement conditions:

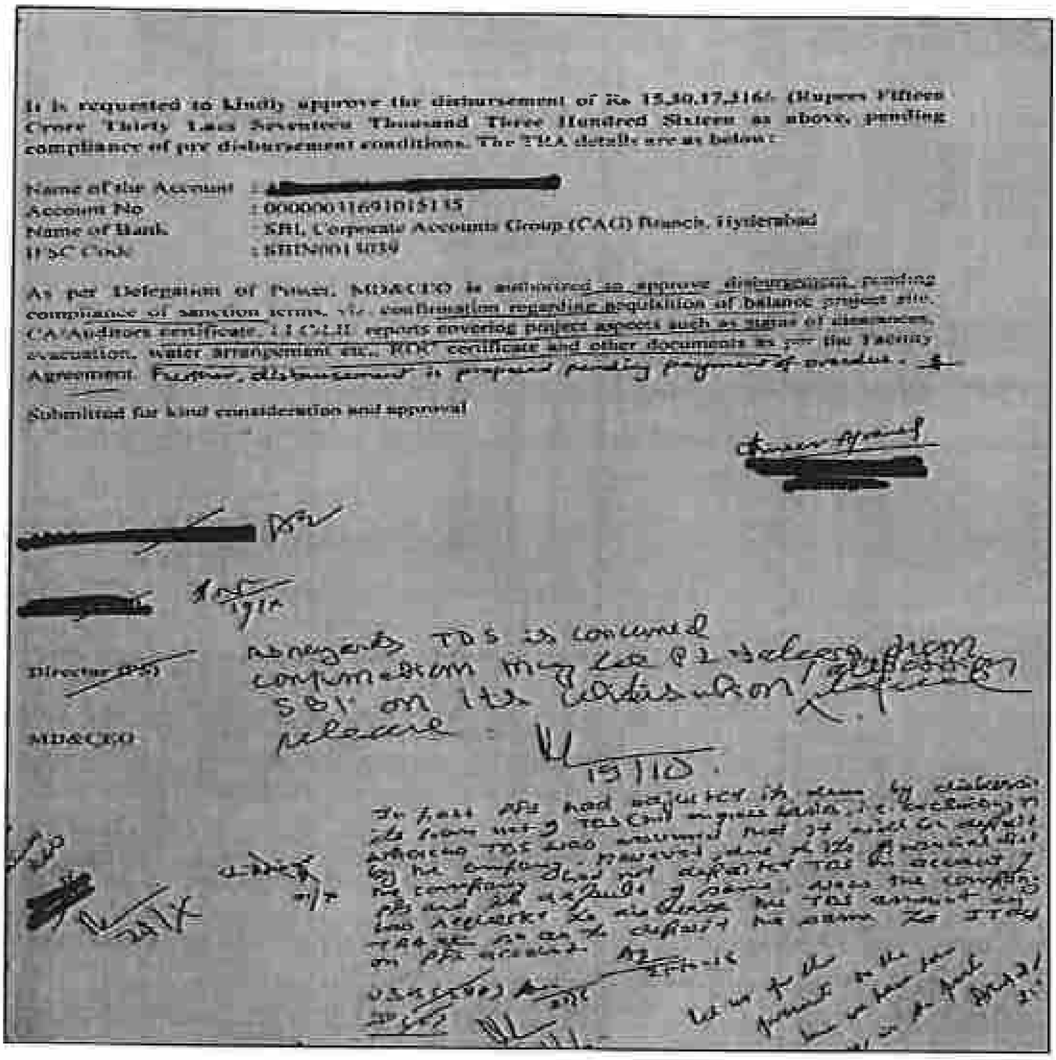
An additional loan of Rs. 51 crores was sanctioned for cost overrun to [redacted] vide 76th board meeting on 16th March 2016. As per disbursement note No. DA06010002/01 dated 19th October 2016 an amount of Rs. 15.30 crores was approved for disbursement pending compliance of pre-disbursement conditions and without any intimation from the lead bank for disbursing such amount.

The above disbursement has been made by the company for the below purpose:

i) Adjustment towards interest overdues.
ii) Disbursement in TRA account towards TDS to be paid by Borrower.
iii) Disbursement in TRA account towards interest for delay in payment of TDS.
iv) Disbursement in TRA account towards Corpus fund for critical payments.

The relevant extract of disbursement note is as below:





It is requested to kindly approve the disbursement of Rs 15,30,17,316/- (Rupees Fifteen Crore Thirty Lacs Seventeen Thousand Three Hundred Sixteen as above, pending compliance of pre disbursement conditions. The TRA details are as below:

Name of the Account : [redacted]
Account No : 00000031169101513 5
Name of Bank : SBI, Corporate Accounts Group (CAG) Branch, Hyderabad
IFSC Code : SBIN0011039

As per Delegation of Power, MD&CEO is authorized to approve disbursement pending compliance of sanction terms, viz. confirmation regarding acquisition of balance project site, CA/Auditors certificate, LIE/LLE reports covering project aspects such as status of clearances, evacuation, water arrangement etc., ROC certificate and other documents as per the Facility Agreement. Further, disbursement is proposed pending payment of ...

Submitted for kind consideration and approval

[redacted]

[redacted]

[redacted]

Director (FS)

MD&CEO

In our view, the company should have received the disbursement instructions from the lead bank in from of LCN. However, the company has Suo-moto disbursed the above funds to the borrower.

C. Disbursement without complying the security creation condition

As per disbursement note No. DA06010002/01 dated 19th October 2016 an amount of Rs. 15.30 crores has been approved for disbursement, inspite of the fact that as per amended PFS sanction, Corporate Guarantee and undertaking are exclusive securities against PFS loan, the same have been issued in favour of all lenders of consortium.

The same has also been highlighted by the Company secretary in the security status report dated 18th October 2016. However, company has provided for disbursement without taking cognisance of the below anomaly in security creation.

PTC India Financial Services Limited

Dated: 18th Oct, 2016

Sub: Security Status Report of M/s. [redacted]

[redacted] sanction of cost overrun term debt of Rs. 51 crores in the 76th Board of Director's Meeting held on 16th March 2016 and Sanction letters were issued on 3rd June, 2016 along with modification dated: 21st September, 2016. This is a case of downselling by Lead FI [redacted] Initial Cost Overrun Loan agreement was signed on 31st March, 2015 and PFS has joined the consortium by executing Deed of Adherence and Deed of Assignment on 1st Oct, 2016.

Project Security creation as per terms and conditions of the Loan Agreement is the responsibility of security trustee [redacted] Trustee) and lead FI [redacted]

Please find status of securities created as per letter of Security Trustee dated: 17th Oct, 2016 attached as 'A' reflecting compliance of security.

Further as per amended PFS sanction, Corporate Guarantee and undertaking are exclusive securities against PFS loan, wherein Borrower and Guarantor has issued such in favor of all the lenders of consortium.

[redacted]

[redacted]

18/10/16

For Information:

[redacted]

CNK & ASSOCIATES LLP MUMBAI

- Financial progress:
  Not Available

- Site visit by PFS:
  NA

7. **Status of documentation for the loan and compliance of PCC:** Deed of Accession with PFS was executed on September 30, 2016. Common Rupee Loan Agreement for said oversun was executed on March 31, 2016.

8. **Status of Security Creation**: Security compliance report from PFS Legal dated October 18, 2016 is attached at Annexure B. The report mentions that as per amended sanction, Corporate Guarantee and undertaking are exclusive securities against PFS loan, wherein the borrower and the Guarantor have issued such in favor of all the lenders of the consortium.

9. **Compliance with terms of sanction:**

The borrower has submitted a request dated October 3, 2016 (Annexure A) requesting PFS for disbursement towards corpus fund and TDS on interest payment to PFS. However, LCN for the same is not available. Therefore, compliance of pre-disbursement conditions cannot be ascertained (viz., confirmation regarding acquisition of balance project site, CA/Auditors certificate, LLC/LIE reports covering project aspects such as status of clearances, evacuation, water arrangement etc., ROC certificate and other documents as per the Facility Agreement).

Communication from lead bank via email dated Oct 03, 2016 is placed at Annexure C.
Confirmation from appraisal for disbursement of TDS is placed at Annexure D.

Feedback from monitoring is placed at Annexure E mentioning issues as under:

i. As on date the lenders have decided to stop disbursements to the project. Lenders shall disburse funds for funding corpus fund as per sharing decided by Lead Bank. Corpus fund amount has been fixed by SBI and circulated to all the lenders.
ii. SBICAP is in process to complete the bid process for change in management, including engagement of all necessary consultants, for Change in Management without commitment for additional funding.

1. **Eligibility for present disbursement**

#	Particulars	Figure (Rs Cr)
(a)	Revised Project Cost	8,444
(b)	Promoters' contribution (envisaged)	2,111

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CNK & ASSOCIATES LLP MUMBAI Chartered Accountants

CNK Conclusion:

Based on the above observations, our conclusion in the matter is as under:

1. Disbursements has been approved to the borrower by frequently extending the timelines for complying certain pre-commitment and pre-disbursement conditions for drawdowns;

2. Disbursements were made in account on 'suo-motto basis' without the receipt of instructions in form of LCN from the lead bank.

[redacted]

Index:

Sr No.	Observation
A.	Disbursements done for clearing of overdue positions
B.	Disbursement without compliance to pre-disbursement conditions
CNK Conclusion	
Exhibits (IXA to IXC)	

Background:

[redacted] has been sanctioned a term loan of Rs. 306 crores (Senior Debt - Rs. 286 crores and Sub Debt - Rs. 20 Crores) vide 90th Board Meeting held on 22nd May 2017 for establishment of power transmission lines from koteshwar pooling station to [redacted] of one Ckt. of 400 kV D/c fom [redacted] to [redacted] line at [redacted] and 400 kV D/c line from [redacted]

Summary:

S. No	Particluars	Comments
1.	Name of Account	[redacted]
2.	Amount Sanctioned	Rs. 306 Crores (Senior Debt – Rs. 286 Crores and Sub debt – Rs. 20 Crores)
3.	Date of Board Approval	90th Board Meeting held on 22nd May 2017
4.	Date of Loan Agreement Execution	07th November 2017
5.	Group Exposure (at the time of Sanction)	Rs. 711 Crores
6.	Status of Loan Account	Stage 3

Observations:

A. Disbursements done for clearing of overdue positions:

Although the borrower was not having any significant physical progress of the project, funds were continuously being released for adjustment against the interest overdue as follows.

Following are the disbursement wise details:

Amount in Rs.

Disbursement Details	Overdue adjusted for	Overdue	Disbursed Amount
	01.02.2019	1,59,68,450	
	01.03.2019	1,48,13,055	
	01.04.2019	1,67,11,576	
Disbursement Note (30.04.2019)	**Total**	**4,74,93,081**	**4,80,72,439**

	01.05.2019	1,58,86,298	
	01.06.2019	1,87,99,460	
	01.07.2019	1,83,41,688	
	01.08.2019	1,91,38,318.00	
Disbursement Note (30.07.2019)	**Total**	**7,21,65,764**	**7,21,65,764**
	01.09.2019	1,94,09,632	
	01.10.2019	1,88,42,674	
	01.11.2019	1,96,73,394	
	01.12.2019	1,92,80,438	
Disbursement Note (29.11.2019)	**Total**	**7,72,06,138**	**7,72,06,138**

As can be seen from above, the disbursements made and as confirmed in the respective disbursement notes (as per extracts below), the overdue positions of the borrower are being cleared of basis the subsequent disbursements. These disbursements are made only to clear the outstanding interest positions of the Company.

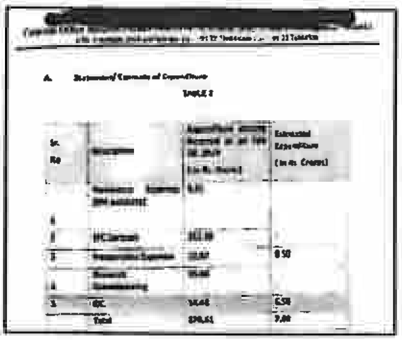
Further the progress of the project had been stalled since July 2019 due to the inability of the promoters to infuse the funds. The LE has also certified in their report prior to above drawdowns that there should not be any further disbursement of funds in the account as the expenditure projected by the Company is in excess of the progress achieved by the project. Further the company has also incurred expenses towards IDC in excess of the estimated/budget IDC cost.

Despite several observations including the overall progress of the project and objection on further disbursements made by the LE in its report, the company has done subsequent disbursements of Rs. 19.75 Crores (as per table above) for adjustments of its own interest overdues.

The Company, also, at its own discretion has proceeded with these IDC disbursements inspite of being aware of the fact that the IDC expenditure of the project has already been exceeded. The borrower has been subsequently classified as NPA in May 2020.

Also refer CNK Comments on "Evergreening" below Matrix showing Loan Accounts and observations on page 5-6 of this report.

Given below are the extracts of the disbursements note wherein the IDC cost has exceeded the estimated expenditure:



Given below are the extract of the LE certificate observations (complete set of LE observations have been attached as exhibits IXC):

LE report dated 26 April 2019:

> As per the above review of the documents submitted by the Project Company in support of drawdown request, the LE does not approve any further disbursement by the Lender for this Project until sufficient progress is achieved and demonstrated by the Project Company to the satisfaction of Lenders and LE.
>
> Balraj
>
> Name: Balraj Mahajan
> Position: Project Manager

LE report dated 02 July 2019:

> As per the review of the documents submitted by the Project Company in support of drawdown request, the LE does not approve any further disbursement by the Lender for this Project until all the details, as mentioned above are provided by the Project Company to the satisfaction of the Lender and LE and the Pre-disbursement Conditions of the Common Facility Agreement are fulfilled.
>
> Name: Balraj Mahajan
> Position: Project Manager

i. Extracts of Disbursement note dated 30th April 2019:

Accordingly, PFS may disburse Rs 4,80,72,439/- (Rupees Four Crore Eighty Lacs Seventy Two Thousand Four Hundred and Thirty Nine only) to the borrower, which shall only be utilized

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towards making interest payment to the lenders. Monitoring unit has been informed via email dated April 30, 2019 (Annexure II) to ensure compliance of the same.

Copy of last disbursement note is placed at Annexure L.

It is requested to kindly approve the disbursement of Rs 4,80,72,439/- (Rupees Four Crore Eighty Lacs Seventy Two Thousand Four Hundred and Thirty Nine only) to the borrower, pending compliance with pre disbursement conditions as above. Account Details are as under:

Beneficiary Name	[redacted] Construction Account
Account No	: 917020074557931
Name of Bank	: [redacted], New Delhi Main Branch, Statesman House 148, Barakhamba Road, New Delhi 110001
IFSC Code	: UTIB0000007

As per delegation of power, MD&CEO is authorized to approve disbursement pending compliance of disbursement conditions, viz. delay in project progress, delay in payment of statutory dues, pending obtention of all clearances including Forest clearance/ROW etc. and pending payment of PFS overdue in borrower and Group Companies ([redacted] and [redacted]. Hence, the instant note is being sent for approval of MD&CEO.

Submitted for kind consideration and approval

[redacted] [redacted] [redacted]

Manager

Discussed

[redacted] 30/04/19 [redacted] 30/4/19

ii. Extracts of Disbursement note dated 30th July 2019:

Accordingly, PFS may disburse Rs 7,21,65,764/- (Rupees Seven Crore Twenty One Lacs Sixty Five Thousand Seven Hundred and Sixty Four only) to the borrower, which shall only be utilized towards making interest payment to the lenders. Monitoring unit has been informed via email dated July 29, 2019 (Annexure L) to ensure compliance of the same.

Copy of last disbursement note is placed at Annexure K.

It is requested to kindly approve the disbursement of Rs 7,21,65,764/- (Rupees Seven Crore Twenty One Lacs Sixty Five Thousand Seven Hundred and Sixty Four only) to the borrower.

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pending compliance with pre disbursement conditions as above. Account Details are as under:

Beneficiary Name	[redacted] Construction Account
Account No	917020074557931
Name of Bank	[redacted] New Delhi Main Branch, Statesman House, 148, Barakhamba Road, New Delhi 110001
IFSC Code	[redacted]

(TRA details are placed at Annexure M)

As per delegation of power, MD&CEO is authorized to approve disbursement pending compliance of disbursement conditions, viz. delay in project progress, non-achievement of COD, delay in payment of statutory dues, pending obtention of all clearances including Forest clearance ROW etc., pending payment of PFS overdue in borrower and Group Company [redacted] and other issues. Hence, the instant note is being sent for approval of MD&CEO.

Submitted for kind consideration and approval

[redacted]

[redacted]

[redacted]

[redacted]

iii. Extracts of Disbursement note dated 29th November 2019:

[illegible]

Copy of last disbursement note is placed at Annexure K.

It is requested to kindly approve the disbursement of Rs 7,72,06,138 (Rupees Seven Crore Seventy Two Lacs Six Thousand One Hundred and Thirty Eight only) to the borrower, pending compliance with pre disbursement conditions as above. Account Details are as under:

Beneficiary Name	[redacted] - Construction Account
Account No.	[illegible]
Name of Bank	[redacted] New Delhi Main Branch, Statesman House, 148, Barakhamba Road, New Delhi 110001
IFSC Code	[redacted]

(TRA details are placed at Annexure M).

As per delegation of power, MD&CEO is authorised to approve disbursement pending compliance of disbursement conditions, viz. delay in project progress, nonachievement of COD, delay in payment of statutory dues, pending obtention of all clearances including Forest clearance/ROW etc., pending payment of PFS overdue in borrower and Group Companies, downgrade of rating to "D" and other issues. Hence, the instant note is being sent for approval of MD&CEO.

Submitted for kind consideration and approval

[redacted]

CNK Conclusion:

Based on the above observations, our conclusion in the matter is as under:

1. Disbursements made, are in excess of the approved IDC, pending compliance of certain disbursement conditions and at the discretion of the Company, despite the fact that the progress of the project was stagnant;

2. Disbursements for purpose of clearing of interest overdues and approval of the same by the management reflects on the inherent credit risk of the borrower and misuse of authority by the management.
Also refer CNK Comments on "Evergreening" below Matrix showing Loan Accounts and observations on page 5-6 of this report;

3. Though the LE had advised against any further disbursements for the project, several disbursements have been done for interest adjustments ignoring the LE advice.

MUMBAI
CNK & Associates LLP
Chartered Accountants

[redacted]

Index:

Sr No.	Observation
A.	Non creation of charge over security
B.	Rate of interest not as per policy
CNK Conclusion	
Exhibits (XA)	

Background:

PFS has sanctioned medium term debt of Rs 100 crores as working capital demand loan to meet the cash flow mismatch in its operational wind power project. The above sanction was approved in 118th Board of Directors meeting held on 27th September 2019.

Summary:

S.No	Particulars	Comments
1.	Name of Account	[redacted] (co-subsidiary of PFS)
2.	Amount Sanctioned	Rs. 100 Crores
3.	Date of Board Approval	118th Board Meeting held on 27th September 2019
4.	Date of Loan Agreement Execution	30th September 2019
5.	Group Exposure (at the time of Sanction)	Rs. 194.90 Crores
6.	Status of Loan Account	Stage 1

The following are the observations for the above loan:

A. Non creation of charge for Security:

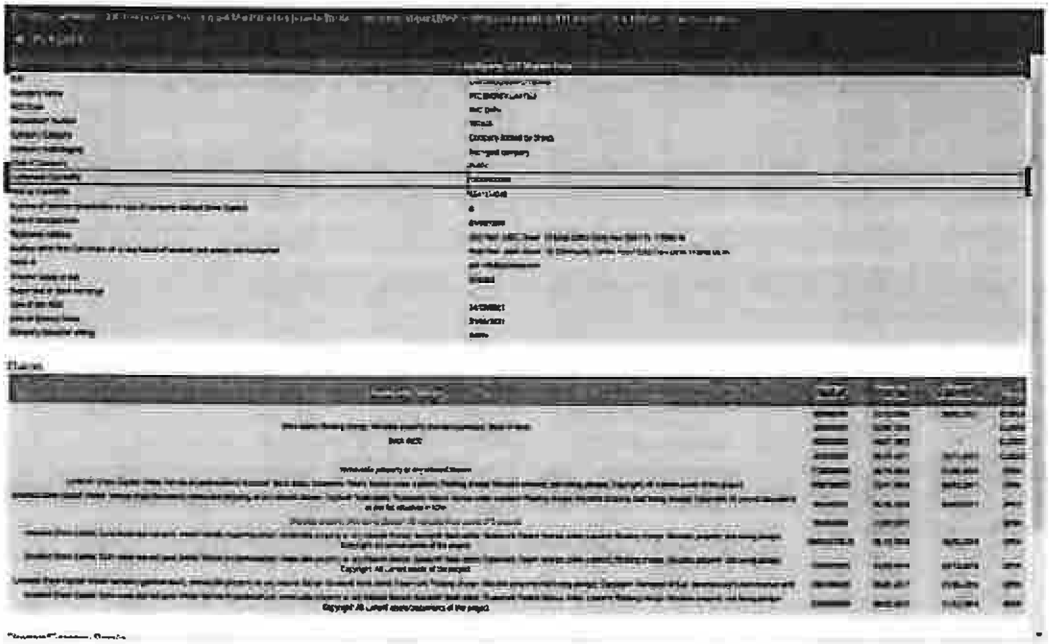
As per Clause 14.2 of Facility Agreement dated 30th September 2019 Following Security required to be Created:

a) Priority Charge over the project Receivables of the Borrower of the Borrower from the sale of power from the Project to the Extent of Rs 100 CR.
b) Priority Charge on the cashflows/repayments from the monetization/sale/disinvestment of the Borrower's asset to the Extent of 100 CR.
c) First Charge on Interest Service Reserve Account (ISRA) created by the Borrower for the Entire sanction limit of the Lender. ISRA will be created within a period of 15 days from the disbursement of facility.
d) Demand Promissory Note of entire loan amount in favour of the Lender, which when invoked, the borrower shall make the payment of the entire outstanding dues of the Lender within 30 days of such invocation of the DPN.

It is further to be noted that as per Facility Agreement 11.1 Security dated 30th September 2019, the Borrower shall have furnished evidence of creation of the Security including Filing of CHG-1 with the concerned Registrar of Companies upon creation of security.

Upon verification of loan documents and ROC portal we have not found the documents for charge creation and filing of the same with ROC. Given below is the ROC portal screenshot for filing of charge wherein PFS charge cannot be validated.

Irrespective of the fact that the loan account has been repaid by the borrower, the disbursement has been made in the account pending security creation.



B. Rate of Interest not as per the policy of the Company :

As per the policy on working capital demand loan Clause 8 the rate of interest to be charged on such loans shall be at least 200 bps higher than the applicable rate of interest on the term debt facility.

As per policy PFS Benchmark rate the spread on term debt facilities is determined as per borrowers' internal credit ratings. The internal credit rating for the borrower in current scenario was determined at OR5. Thus, the ROI on term debt facility for OR5 rated borrowers as per policy is PFSBR plus 1% (spread).

Basis the above the rate for such working capital loan sanctioned to borrower should have been at least PFSBR+1%+2%.

However, the actual rate charged to the borrower for the Working Loan as per the sanction letter is PFSBR+1.5% only (as against PFSBR+3%).

The above rate charged is less than the rate chargeable as per PFS approved policy.

Given below are relevant extracts of the policies:

Extract of Rate of Interest clause in PFS policy on working capital demand loan:

7. __Fees:__ PFS shall charge one-time fee of atleast 0.25% of the sanctioned loan amount. This fee is to be charged at the time of loan documentation.
   In case the facility is rolled over. PFS shall charge an upfront fee at least of 0.25% of the sanctioned loan amount.

8. __Rate of Interest:__ Rate of Interest shall be atleast 200bps higher than the applicable rate of interest on the term debt facility

Extract of borrower internal rating:

Brief Profile:

__Brief profile__ is given below in tabular format.

Particulars	[redacted]
Loan Sanctioned	Rs. 100.00 crs (One Hundred Crores Rupees Only)
Loan Disbursed & O/S	Rs. 75.00 Crs (Seventy Five Crores rupees only)
Sanction Letter Date	September 30, 2019
Current RoI	12.50%
COD status	Achieved on 8th March 2016
Security Compliance	All PDC complied. A)Priority charge over the receivables - Pending - Due date - 29th Dec 2019 B)Priority charge on cashflows/ repayment from the monetisation/sale/divestment of PEL assets – Pending – Due Date - 29th Dec 2019
ISRA	1st Quarter – Complied – Rs. 3.125 crores
Internal Risk Grading	OR5
Borrower's Request	Extension in timeline of securities mentioned in 'A' & 'B' above.

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Extract of spread clause in Policy for PFS Benchmark Rate:

4.0 SPREAD

Components of the Spread includes following, but not limited to:

- Credit Risk Premium
- Probability of Default

Spread to be charged on the loans and advances shall be based on the rating given by Internal Credit Rating Model of PFS, which is as follows:

Internal Credit Rating	Spread to be charged over and above the Benchmark Rate * (For Term Debt)	Spread to be charged over and above the Benchmark Rate * (For Corporate Debt)
OR 1	0.10%	0.60%
OR 2	0.25%	0.75%
OR 3	0.35%	1.00%
OR 4	0.50%	1.25%
OR 5	1.00	2.00%
OR 6	1.50%	3.00%
OR 7 – OR 10	Non-Investment Grade	Non-Investment Grade

Extract of Rate of Interest clause in Sanction letter of the facility:

7.	Rate of Interest	12.50% p.a. payable monthly, linked to PFS BR as below: PFSBR + Spread (10.75%+1.75% = 12.50%) PFSBR shall be fully floating and Spread shall be reset annually from the date of initial disbursement. The interest as above, shall be payable by the Borrower, on the 1st day of the following month (each an Interest Payment Date). Such interest shall become payable from the first interest Payment Date falling immediately after the date of first disbursement of the Facility by PFS;
8.	Validity	The sanction terms shall be valid up to a period of three (3) months from the date of issue of sanction letter or further such time as decided by PFS solely at its discretion
9.	Availability Period	The Facility would be available for drawal upto 12 months from initial disbursement
10.	Moratorium	12 months from date of first disbursement by PFS, however there is no moratorium on interest payment.
11.	Tenor of the loan	Door-to-door tenure of loan is 2 years with repayment in 1 year after moratorium of 1 year period
12.	Repayment of Principal	Repayment shall be made in four (4) quarterly tranches starting from the end of 1st year from the date of first disbursement as per the following End 15th Months (1st Installment) – 10% End of 18th Months (2nd Installment)– 20% End of 21st Months (3rd Installment) – 30% End of 24th Months (4th Installment) - 40% First repayment date will fall at the end of 3 months after moratorium period of 1 year from the date of first disbursement.
13.	Security/Collaterals	The Facility (together with all interest, liquidated damages, fees, remuneration payable to either the Lenders/ Security Trustee etc), costs, charges, expenses and other monies and all other amounts stipulated and payable to the PFS shall be secured by way of mortgage/ hypothecation/ charge/ assignment of below securities:

Page 1 of 9

PTC India Financial Services Ltd (CIN: [illegible])
(A subsidiary of PTC India Limited)
Registered Office: 7th Floor, Telephone Exchange Building, 8 Bhikaji Cama Place, New Delhi - 110 066, India
Board +91 11 [illegible] Fax +91 11 [illegible] Website: [illegible] E-mail: [illegible]

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CNK Conclusion:

Based on the above observation, our conclusion in the matter is as under:

1. Security perfection has not taken place despite several extensions granted for security creation;

2. Rate of interest charged to the borrower is not as per the policy.

[redacted]

Index:

Sr No.	Observation
A.	Possible evergreening by disbursals in overdue account
CNK Conclusion	
Exhibits (XIA to XIB)	

Background:

[redacted] has been sanctioned a term loan of Rs.120 Crores with a provision of a Bridge loan for implementing 2*210MW imported coal based thermal power project in [redacted]. The said term loan was approved by the Board of directors in 26th Board Meeting held on 12th January 2010.

Summary:

S.No	Particulars	Comments
1.	Name of Account	[redacted]
2.	Amount Sanctioned	Rs. 120 Crores
3.	Date of Board Approval	26th Board Meeting held on 12th January 2010
4.	Date of Loan Agreement Execution	24th September 2010
5.	Group Exposure (at the time of Sanction)	Rs. 120 Crores
6.	Status of Loan Account	Amount of Rs. 95.69 crores (total disbursed amount Rs. 96.06 crores) has been written off during FY 2019-20.

Observation:

A. Possible evergreening by disbursals in overdue account:

Company has disbursed Rs 6.17 crores as per its disbursement note dated 23rd September 2014. The disbursement was done despite critical overdues in the account amounting to Rs 7.07 crores. Further for the purpose of this disbursement the following critical PDC were relaxed in line with lead bank:

- Debt Equity ratio
- Tie up of Debt and Equity
- Coal supply arrangement

Power Purchase and power evacuation agreement (compliance timeline extended by 6 months).

Subsequently there have been further disbursement vide disbursement note dated 23rd February 2015 for Rs.3.37 crores basis the LCN received from Lead Bank. At the time of such disbursement the account was still in overdue condition for Rs.4.38 crores.

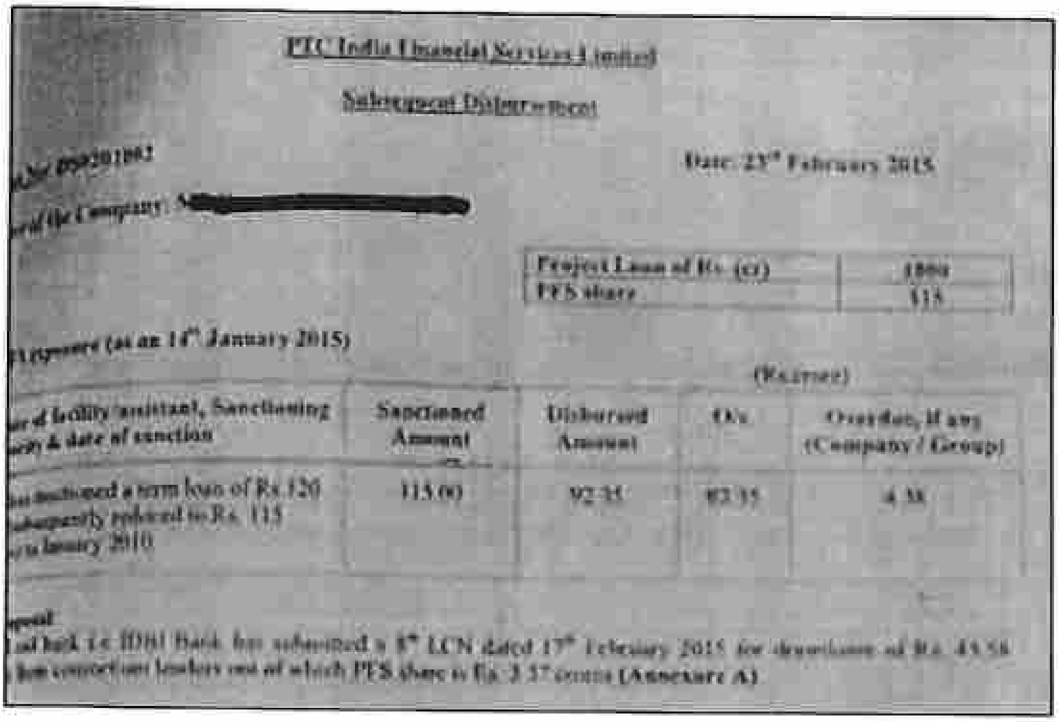
The overdues amounting to Rs 3.77 crores were proposed to be adjusted against the said disbursement. Such adjustment may have resulted into clearance of critical overdue positions of the borrower.

Also refer CNK Comments on "Evergreening" below Matrix showing Loan Accounts and observations on page 5-6 of this report.

It is also important to note that the following critical PDC were relaxed only for the purpose of above disbursement:

- Debt Equity ratio
- Tie up of Debt and Equity

The fraud was identified in the borrower account subsequently and the account has been written off to the extent of 99% of the disbursed amount.



PTC India Financial Services Limited

Subsequent Disbursement

[illegible] 0592010[illegible]   Date: 23rd February 2015

[illegible] of the Company: [redacted]

Project Loan of Rs. (cr)	1800
PFS share	115

[illegible] exposure (as on 14th January 2015)

(Rs crore)

[illegible] of facility availed, Sanctioning [illegible] & date of sanction	Sanctioned Amount	Disbursed Amount	O/s	Overdue, if any (Company / Group)
[illegible] sanctioned a term loan of Rs 120 [illegible] subsequently reduced to Rs. 115 [illegible] January 2010	115.00	92.35	82.35	4.38

[illegible]

[illegible] bank i.e. IDBI Bank has submitted a 8th LCN dated 17th February 2015 for drawdown of Rs. 45.58 [illegible] from consortium lenders out of which PFS share is Rs. 3.57 crores (Annexure A)

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[illegible] is in overdue with PFS for amount of Rs. 4.50 crores till 1st February 2015 and [illegible] dues upto 1st January 2015 for amount of Rs. 3.77 crores (Rs. 3.25 crores [illegible] share of insurance premium & [redacted] [illegible] for, amounting to Rs. 8.11 [illegible] relaxation in certain terms & conditions as proposed above and disburse the [illegible]

[illegible] Rs. 3,37,28,124/- (Rupees Three crores Thirty Seven Lacs Twenty Eight Thousand and [illegible] Four only) to the borrower. It is requested to kindly approve the disbursement to the [illegible] was made on 25th September 2015 (approval note for the same is placed at [illegible])

[illegible] are as below:

[redacted]

[illegible] for information and approval.

[redacted]

PTC India Financial Services Limited
Subsequent Disbursement

...n No. [illegible]

...e of the Company: M/s [redacted]

September 23, 2014

Project Loan in Rs. (cr)	1000.00
PFS share in Rs. (cr)	115.00

PFS exposure (as on 23rd September 2014)

...ure of facility/assistant, ...ctioning Authority & date of ...tion	Sanctioned Amount	Disbursed Amount	O/s	Rs. Crore Overdue, if any (Company / Group)
... has sanctioned a term loan of ... (subsequently reduced to ... crore) in January 2010	115.00	66.19	66.19	7.07

Proposal

...Borrower has submitted a drawdown request dated 14th September 2014 to the lead FI (IDBI Bank) for ...down of Rs. 87.96 crores from its lenders of which PFS share is Rs. 6.17 crores (Annexure A). PFS vide ... dated 20th September 2014, has received seventh (7th) LCN issued by the Lead bank (IDBI bank) vide ... No. 1235/ICG/SPF/2013-14, dated 19th September 2014 (Annexure B). In the LCN, the Lead bank has ... certain terms & conditions. Current proposal is for relaxation of certain terms & conditions and for ...ement of Rs. 6.17 crores to the borrower.

[illegible]

7. Details of Current A/c / TRA / Escrow account / A/c No.
Account Name: [redacted]
Name of Bank and Address: [redacted]
Account No.: [redacted]
IFSC Code: [redacted]

8. Rate of Interest:

[illegible]

9. Comments and Recommendations:

[illegible]

Submitted for kind consideration and approval.

Given below are the extracts of the minutes of 119th Board Meeting and 59th Audit Committee dated 23 October 2019:

"The Board was informed that PFS has sanctioned term debt of Rs 120cr (subsequently reduce to Rs 115cr) and disbursed Rs 96.06cr (current principal o/s in the account is Rs 96.06cr) to [redacted] for development of 420MW (2X210) imported coal based thermal power plan[redacted]

"The Board was further informed that during the CIRP period, [redacted] Chartered Accountants were appointed to carry out transaction audit for the period FY 2016-2018 in terms of the provisions of IBC 2016 and the auditor were also required to carry out forensic audit for FY 2009-10 to FY 2017-2018. the forensic audit report, inter alia, contained observations such as possible overstatement of value of 35MW power plant (exclusively charged to [redacted] source of capital infused was not out of SIL own source, manipulation in award of EPC contracts, diversion of fund through acceptance of third-party liability and manipulation disconnect in operational results."

The disbursement note states that disbursement dated 27th July 2015, for an amount of Rs 6.78 Crores has been made for adjusting overdues to avoid the NPA classification (extract of the same attached below).

[illegible]

CNK Conclusion:

Based on the above observation, our conclusion in the matter is as under:

1. Disbursement of funds have been made to clear PFS critical overdue positions by relaxing crucial pre disbursement condition;

2. No red flags noticed during disbursement indicating weak monitoring of the account;

3. Almost the entire amount disbursed has been written off since the amount was declared fraud;

4. **Also refer CNK Comments on "Evergreening" below Matrix showing Loan Accounts and observations on page 5-6 of this report.**

[redacted]

Index:

Sr No.	Observation
A.	Curtailment of CRO Powers
CNK Conclusion	
Exhibits (XIIA to XIIB)	

Background:

PFS has sanctioned a term loan of Rs. 471.90 Crores (including non-fund-based sub limit facility of Rs. 144.53 Crores) with an option to down sell further 50% of the loan amounting to Rs 235 crores in the 110th Board meeting on 31st December 2018 for 4-laning of [redacted] section km 253.600 to km 308.550 of NH-150A (length 54.95km) in [redacted].

Summary:

S.No	Particluars	Comments
1.	Name of Account	[redacted]
2.	Amount Sanctioned	Rs. 471.90 Crores
3.	Date of Board Approval	110th Board Meeting held on 31st December 2018
4.	Date of Loan Agreement Execution	01st March 2019.
5.	Group Exposure (at the time of Sanction)	Rs. 777.53 Crores
6.	Status of Loan Account	*Stage 1*

Our Observations are as below:

A. Curtailment of powers of Chief Risk Officer (CRO):

As per the terms of sanction the project was proposed to be for 54.95 kms which has been proposed to be descoped by 13.22 kms basis [redacted] approval dated 25th January 2021 vide PFS letter PFS/[redacted]/DD1214001/Monitoring/2021-22 dated 28th December 2021.

Basis the above modification letter the project was descoped and accordingly project cost was reduced from Rs 1107.36 crores to Rs 803.35 crores. Because of cost reduction and project descoping the term loan of the consortium was reduced from Rs. 471.90 crores to Rs. 336.34 crores of which PFS share was determined at Rs 181.41 crores.

As per mechanism for interface between appraisal team and monitoring team with risk team dated 21st November 2016, any change or modification in scope of project affecting the revenue stream required reassessment of the project by the risk team.

However, the above requirement was curtailed vide office order number 16/2021 dated 06th October 2021. Such order was issued by HR Head [redacted] basis approval of MD & CEO.

CNK & Associates LLP Mumbai Chartered Accountants

Citing the above office order, the proposal for descoping was not submitted to risk team for their vetting and reassessment by stating the below rationale in the approval note:

"As per the erstwhile Interface mechanism of risk and monitoring team dated November 21, 2016 the instant proposal should be moved through Risk department as the same involves change in scope of the project. However subsequent to the office order no. 16/2021 dated October 6, 2021 all earlier orders, circulars and directions issued relating to roles and responsibilities of CRO gets superseded. Further, CRO has apprised that vide email dated Nov 31, 2021 (in case of security extension approval in another project) that his recommendation is not required for seeking approval from competent authority. As per the operational policy of PFS, MD & CEO is authorized to approve the modification in terms and condition of sanction."

However, vide office order No. 16/2021 dated October 6, 2021 new roles and responsibilities which doesn't cover the review of proposal for change in scope of the project have been assigned to the CRO on approval of Managing Director suspending all the role and responsibilities assigned vide earlier Orders, Circulars and directions.

Basis of above office note an approval for amendments in terms and conditions pertaining to the approval for descoping the project, extension of [redacted] have been approved by Managing Director without passing through risk department Vide File no. PFS/DBBHPL/DD1214001/Monitoring dated December 27, 2021."

However, the above modification has been executed without obtaining approval of the CRO citing the office order copy no 16/2021 dated 06th October 2021. Such order was issued by HR Head [redacted] basis approval of MD & CEO. Such order absolved CRO from commenting on the modification of loan related to scoping of the project.

Though the company had appointed a CRO in line with the RBI circular, the earlier powers given to the CRO were curtailed and the proposal for descoping which led to amendment in the original project cost was not submitted to CRO for reassessment by the risk team .

Due to such descoping the sanction of the project was restricted to Rs. 181.41 Crores, however the PFS debt was not reduced by an equivalent proportion as compared to the reduction in original means of finance. The below table highlights the disproportionate funding wherein PFS share was determined at Rs 181.41 crore instead of 171.14 crore.

Means of finance	**Original Cost (Rs in crore)**	**Revised cost after descoping (Rs. In crore)**	**Ideal Revised cost after descoping in the original cost ratio (Rs. in crore)**
Promoter	118	84.10	85.59
NHAI	517.7	382.91	375.49
PFS Debt	**235.95**	**181.41**	**171.14**
Lead Bank	**235.95**	**154.93**	**171.14**
Total	1107.6	803.35	803.35

i. Sanction Copy of descoping the project:

It is to be noted that Lead bank- [redacted] has given approval for COD extension and descoping 13.22 km in the instant project on 11th Nov 2021 as attached in **Annexure E**. In the view of the above, PFS may consider to approve the following:

1. Approval for descoping of 13.22 km as approved by NHAI and consequential reduction in project cost from Rs. 110[illegible] cr to Rs. 803.35 cr and reduction in term loan for the consortium from Rs. 471.90 cr to Rs.336.34 cr of which share of Indian Bank will be Rs. 154.93 cr and PFS share will be Rs. 181.41 cr
2. Approval for extension of scheduled project completion date (SPCD) for further period of 3 months from 23rd October 2021 to 23rd January 2022
3. Consequential revision in other terms linked to SPCD but not limited to repayment schedule subject to similar approval from lead lender may also be approved

All the other sanction terms and amendments thereof shall remain unchanged.

As per the erstwhile interface mechanism of risk and monitoring team dated November 21, 2016 **(Annexure-F)**, the instant proposal should be moved through Risk department as the same involves change in scope of the project. However, subsequent to the Office order no 16/2021 dated October 6, 2021 **(Annexure-G)** all earlier orders, circulars and directions issued earlier relating to roles and responsibilities of CRO gets superseded. Further, CRO has apprised that vide email dated Nov 3, 2021 **(Annexure-H)** (in case of security extension approval in another project) that his recommendation is not required for seeking approval from competent authority. As per the operational policy of PFS, MD & CEO is authorized to approve the modification in terms and condition of sanction. The note is being submitted for kind consideration and approval please.

Shikhar
[redacted]

Saumya Gupta
[redacted]

[redacted] 27/12/21

[redacted]

ii. Office order No. 16/2021

PTC India Financial Services Limited

October 6, 2021

Office Order No. 16 /2021

The competent authority has re-appointed [redacted], (VP – Risk) as the Chief Risk Officer (CRO) of the Company with effect from 26.05.2021 for a period of five years.

[redacted] CRO will report to MD & CEO.

The roles and responsibility of CRO will be primarily to look after the following:

- The CRO shall be involved in the process of identification, measurement of risks.
- The CRO shall also be involved in the process of mitigation of risks and come up with the mitigation plan post identification of the risk for all credit proposals, loan accounts of PFS and overall risk faces by PFS.
- All credit products shall be vetted by the CRO from the angle of inherent and control risks.
- The CRO's role in deciding credit proposals shall be limited to being an advisor.
- CRO shall be responsible for implementing and monitoring various risk management/measuring tool like internal risk grading system. CRO shall also be responsible for internal risk rating as per internal risk grading system.
- CRO shall be responsible for liquidity risk management for PFS as per the provision of extant RBI Guidelines and PFS policy in force in this regard and will also ensure that liquidity risk monitoring tools/metrics are implemented to capture strains in liquidity position, if any.
- There shall not be any 'dual hatting' i.e. the CRO shall be responsible independently for risk function only and should not take any other responsibility and should not interfere in the functions and processes of other departments/functions. However, if CRO is nominated by the management as a member of particular committee to execute a particular task, he should restrict his inputs and views only from the risk perspective only.

This order supersedes earlier orders, circulars and directions issued relating to roles and responsibilities of CRO.

This is issued with the approval of MD & CEO.

[redacted]

Distribution:

1. [redacted]
2. EA/ES to MD & CEO
3. Office Order File
4. PFS Intranet

iii. Erstwhile interface mechanism of risk and monitoring team of the company:

November 21, 2016

Subject : Mechanism of Interface between Appraisal Team and Monitoring Team with Risk Team (Modification in Terms & Conditions)

In various Risk report issued for debts sanctioned by PFS in recent time, Pre-Commitment Conditions (PCCs) and Pre-disbursement Conditions (PDCs) form part of the basis of risk assessment and its overall conclusion. Any modification thereof requires re-assessment of associated risks and therefore the overall risk assessment of a proposal.

However, in the past, PFS has received request for modification in certain pre commitment conditions and pre disbursement conditions which do not have directly or indirectly impact on project risk parameter identified in the Risk report as well as these conditions does not affect boundary limits of project [illegible] and its viability. PFS also received request for modification in terms and conditions which are in favour of PFS.

In view of the above, an effort has been made by Appraisal team in consultation with Risk team to streamline the process relating to review by Risk team of proposal where amendment in terms and conditions is needed. The following changes/ modifications in terms and conditions of sanction shall require reassessment of particular concerned risks related to the proposal by the Risk Management Department:

1. Change of Promoter/Sponsor which results in change of management control
2. Change in the conditions related to clearances/ approval required for project implementation
3. Increase in Project Cost resulting in increase in overall debt exposure of Lenders
4. Adverse change in debt : equity ratio
5. Change in scope of project resulting in change of revenue stream
6. Proposals involving reassessment of viability of the project
7. Extension of timelines related to security package (including collaterals)
8. Dilution of Security Package (including collaterals), except for those which are as per the approved terms and conditions of sanction
9. Change in the repayment schedule
10. Change in instrument through which promoter contribution of equity is infused in the project SPV
11. Restructuring

The above reassessment by Risk is required in the all cases where PFS is lead or Sole lender. In consortium/ multiple banking cases, where PFS is one of the co lenders, while the same would be referred to the Risk team on the above guiding criteria, however, while reassessment of modification in terms and conditions, the appropriate consideration shall be given to the approach adopted by Lead FI/ Lender in such cases.

The note is put up for kind consideration and approval please.

[redacted]

[illegible] signed off the above in discussion [illegible] all concerned for [illegible]

23rd Nov '16

[redacted]

CNK & ASSOCIATES LLP * MUMBAI * Chartered Accountants

iv. Mail from Chief Risk Officer:

[redacted]

Subject: [redacted]

[illegible]

From: [redacted]

Sent: [illegible]

To: [redacted]

Cc: [redacted]

Subject: [redacted]

Hi Devesh,

Please find attached updated revert [illegible] for your [illegible] further comments.

Regards,
Rony

v. Extract for reduction in sanction limit on account of descoping of the project

Particulars	Original cost (Rs. Cr)	Revised cost after descoping (Rs. Cr)	Means of finance (Rs. Cr)	Original cost (Rs. Cr)	Revised cost after descoping (Rs. Cr)
Cost of construction-EPC	994.00	710.83	Promoter contribution's	118.00	84.10
Non- EPC cost and difference	13.44	14.12	NHAI Contribution	517.70	382.91
IDC and interest from COD to first annuity	59.28	52.02	Debt-PFS	235.95	181.41
O&M expenses- 6 months	3.85	3.08	Debt- [redacted]	235.95	154.93
DSRA	37.03	23.30			
Total	1107.60	803.35	Total	1107.60	803.35

It is to be noted that Lead bank- [redacted] has given approval for COD extension and descoping 13.22 km in the instant project on 11th Nov 2021 as attached in Annexure E. In the view of the above, PFS may consider to approve the following:

1. Approval for descoping of 13.22 km as approved by NHAI and consequential reduction in project cost from Rs. 1107.36 cr to Rs. 803.35 cr and reduction in term loan for the consortium from Rs. 471.90 cr to Rs 336.34 cr of which share of Indian Bank will be Rs. 154.93 cr and PFS share will be Rs. 181.41 cr
2. Approval for extension of scheduled project completion date (SPCD) for further period of 3 months from 23rd October 2021 to 23rd January 2022
3. Consequential revision in other terms linked to SPCD but not limited to repayment schedule subject to similar approval from lead lender may also be approved

All the other sanction terms and amendments thereof shall remain unchanged

CNK & ASSOCIATES LLP
MUMBAI
Chartered Accountants

CNK Conclusion:

Based on the above observation, our conclusion in the matter is as under:

1. Descoping of the project was not submitted to risk team for reassessment of risk;

2. Disproportionate reduction in original sanction due to reduction in project cost on account of descoping.

XIII.[redacted]

Index.

Sr No.	Observation
A.	Disbursement done for clearing of overdue position
CNK Conclusion	

Background.

PFS has sanctioned Term loan of Rs 100 crores in 100th Board Meeting held on 13th February 2018 under consortium with[redacted]bank (Lead bank) for upgradation of 66.88 Kms existing 2-Lane Road to 4-Lane of[redacted]section of NH 361, in[redacted]by Four-Laning.

Summary:

S.No	Particulars	Comments
1.	Name of Account	[redacted]
2.	Amount Sanctioned	Rs. 100 Crores Term Loan
3.	Date of Board Approval	100th Board Meeting dated 13th Feb 2018
4.	Date of Loan Agreement Execution	09th May 2018
5.	Group Exposure (at the time of Sanction)	Rs. 422 Crores
6.	Status of Loan Account	Stage-2

The following are the observations for the above loan:

A. Disbursement done for clearing of overdue position

It has been observed that the company has disbursed funds to the borrower for clearing of the overdue position amounting to Rs 3.03 crores.

Given below are the details of such disbursements:

Amount in Rs.

Disbursement Detail	Overdue amount	Disbursed Amount
06 October 2021	1.53 crores	1.54 crores
17 November 2021	1.50 crores	2.50 crores

As can be seen from above table and as confirmed in the disbursement notes (as per extract below), the overdue position of the borrower are being cleared basis these subsequent disbursements. The overdues amounting to Rs 3.03 crores were proposed to be adjusted against the said disbursements by the Company. Such adjustments may have resulted into clearance of critical overdue positions of the borrower.

Also refer CNK Comments on "Evergreening" below Matrix showing Loan Accounts and observations on page 5-6 of this report.

CNK & ASSOCIATES LLP MUMBAI Chartered Accountants

Relevant extracts of disbursement note dated 06 October 2021 is as under:

4. Status of Outstanding/ Overdue of PFS (As on Sep 30, 2021)

Disbursed Amount	Outstanding*	Overdue, if any (Rs Cr)	
Rs Cr	Rs Cr	In this Loan$	In other company/ group#
90.62	90.14	1.33	2.81

[illegible]

[illegible] [redacted] [illegible]

[illegible] Sadbhav Group is Rs 2.81 Crore.

6. Present Status of implementation of the project:

a. Physical Progress: [illegible] 100.00% as per revised programme [illegible]

[illegible]

[illegible]

b. Financial progress: [illegible] June 30, 2021 [illegible]

c. [illegible] Covid-19.

Relevant extracts of disbursement note dated 17 November 2021 is as under:

4. Status of Outstanding/ Overdue of PFS *(As on Nov 11, 2021)*

Disbursed Amount	Outstanding*	Overdue, if any (Rs Cr)	
Rs Cr	Rs Cr	In this Loan$	In other company/ group#
93.82	93.67	1.56	2.99

[illegible]

Overdue in borrower company and group companies: Sadbhav Vadodara Highway Pvt Ltd is having an interest overdue of Rs 1.50 Crore (approx.) [illegible] November 15, 2019 the amount of Rs. 1.50 Crores of the proposed disbursement proceeds shall be utilized by borrower to clear the overdue towards the project and Rs. [illegible] Crores towards the EPC [redacted] having an interest overdue of Rs 1.46 Crore and Sadbhav National Highway Pvt Ltd is having an interest overdue of Rs 0.23 Crore. The total overdue amount for Sadbhav Group is Rs 2.99 Crore.

6. **Present Status of implementation of the project:**

   a. Physical Progress: In its Monthly Progress Report for August 2021 [illegible] [redacted] Private Limited has observed that [illegible] of physical progress has been achieved against the scheduled 100.00%. Also, financial progress of [illegible] has been achieved till date.

   b. As per the LIE, M/s V R Techniche Consultants Private Limited [illegible] of PUPs and VUPs [illegible] at site [illegible] due to [illegible]

SOHIE KAPASI

CNK Conclusion:

Based on the above observation, our conclusion in the matter is as under:

1. Possible ever greening of the account due to disbursements being made to clear the overdue positions of the borrower;

2. **Also refer CNK Comments on "Evergreening" below Matrix showing Loan Accounts and observations on page 5-6 of this report.**

[redacted]

Index:

Background:

PFS has sanctioned Term loan of Rs 75 crores in 93rd Board Meeting held on 09th August 2017 under consortium with [redacted] bank (Lead bank) for development of 4- Laning with paved shoulders of Existing 2 Lane project road stretch between [redacted] and [redacted] of the National Highway NH-8E from km 180.478 to km 221.610 (Design ch. From km 181.450 to km 222.400) in the state of [redacted] on DBOT basis. The PFS share was reduced to 30.51 crores during documentation of which Rs 24.98 crores has been disbursed.

Summary:

S.No	Particulars	Comments
1.	Name of Account	[redacted]
2.	Amount Sanctioned	Rs. 75 Crores Term Loan subsequently reduced 30.51 crores
3.	Date of Board Approval	93rd Board Meeting dated 09th August 2017
4.	Date of Loan Agreement Execution	27th March 2018
5.	Group Exposure (at the time of Sanction)	Rs. 350 Crores
6.	Status of Loan Account	Stage-2

The following are the observations for the above loan:

A. Disbursement done despite slow progress of the project

We have observed that physical progress and the financial progress of the project for the 3rd and 4th disbursement dated 14 November 2018 and 01 February 2019 respectively was stagnant and the same has also been stated in the disbursement note as well. Despite such stagnancy in the project, PFS has proceeded with disbursement to the said project.

Given below is a summary of such disbursements.

Particulars	Physical progress	Financial progress	Disbursed amount (CR)	IDC(CR)
3rd disbursement dated 14-11-2018	35.82 %	38.79 %	1.12	6.54
4th disbursement dated 01-02-2019	35.82 %	38.79%	1.53	8.27

Though the LCN has been received from the Lead bank for such disbursement, it has been observed that the planned physical progress as mentioned in disbursement note was at 60.67% against which only 35.10% of actual progress was achieved at the time of 4th disbursement. However the Company had already disbursed funds amounting to Rs 13.75 crores against the sanction of Rs 30.51 crores despite such slow progress in the project.

The matter pertaining to delayed progress of project had also been highlighted by monitoring unit by stating" *last site visit was made in August 2018 by monitoring unit along with lie and other lenders during which non-availability of approx. 18.75 km work front was observed by the lenders"*.

Relevant Extracts of the 3rd disbursement notes are attached below.

iv. [illegible]

v. Physical Progress is [illegible] against planned 60.67% and Financial Progress is [illegible]. The cumulative progress is behind schedule and the lag is to be made up [illegible]

vi. COD can still be achieved within the scheduled date of Commercial [illegible] taken steps to make up the lag in [illegible] months (SCOD – Aug [illegible], 2019)

b) Financial progress: As per C.A. certificate dated Sept 24, 2018 [illegible] Crore has been incurred as at Sept 23, 2018

c) Site visit by PTC: As informed by monitoring unit, last site visit was made in August 2018 by Monitoring unit along with LIE and other Lenders during which non-availability of approx. 18.75 km work front was observed by the Lenders.

Relevant Extracts of the 4th disbursement notes are attached below.

i. Total land of approximately 232.050 Ha (~93%) has been handed over to the concessionaire out of required 249.736 Ha. Encumbrances are yet to be removed.
ii. 100% of the trees have been cut.
iii. Adequate no of manpower, machinery and equipment have been mobilized.
iv. 100% of relevant clearances and permits have been obtained.
v. Physical Progress is 35.52% against planned 66.67% and Financial Progress is 38.70%. The cumulative progress is behind schedule and the lag is to be made up.
vi. COD can still be achieved within the scheduled date if Concessionaire takes steps to make up the lag in coming months (SCOD – Aug 09, 2019)

[illegible]

Relevant extract of the LE report is as below:

[illegible]

Description	Amount (Cr)	[illegible]
Total EPC Cost	[illegible]	[illegible]
Physical Progress Planned	[illegible]	[illegible]
Physical Progress Achieved	[illegible]	[illegible]
Financial Progress Achieved	[illegible]	[illegible]
Planned Physical Progress for the month	[illegible]	[illegible]
Actual Physical Progress for the month	[illegible]	[illegible]

The Physical Progress inclusive of Maintenance = [illegible]

CNK conclusion:

Based on the above observation, our conclusion in the matter is as under:

1. Disbursement have been done in the account despite under achievement in the progress in the project as per plan.

[redacted]

Index:

Sr No.	Observation
A.	Possible Evergreening of the Loan account
B.	Non-compliances of pre-disbursement condition
C.	Disbursement despite diversion of funds by the borrower
CNK Conclusion	

Background:

[redacted] was sanctioned a term loan of Rs. 125.00 Crores by PFS in the 31st Board Meeting held on October 13, 2010. The Project with an envisaged installed capacity of 54 MW is located on river [redacted] The Consortium of banks and financial institution has sanctioned an aggregate term loan of Rs 286 crores to the project SPV as follows.

Name of Financial Institution	Amount (in crores)
[redacted] Limited	61.00
PFS	125.00
[redacted]	100.00
Total	**286.00**

Summary:

S.No	Particulars	Comments
1.	Name of Account	[redacted]
2.	Amount Sanctioned	Rs. 125 Crores Term Loan
3.	Date of Board Approval	31st Board Meeting dated 13th October 2010
4.	Date of Loan Agreement Execution	29th July 2011
5.	Group Exposure (at the time of Sanction)	Rs. 125 Crores
6.	Status of Account	Written off

The following are the observations for the above loan:

A. Possible Evergreening of the Loan account.

The company has made disbursements in loan account to clear the overdues of the borrower with PFS. The proposed adjustment of overdues has also been mentioned by the Company in its disbursement notes (relevant extracts below). Given below are the details of disbursements against its corresponding adjustments of overdue positions:

(Rs. in Crores)

Disbursement Date	Disbursement Amount	Adjustment of Overdue Amount
31 March 2015	15.26	2.63
09 June 2016	31.63	1.77
27 September 2016	2.70	2.70
22 February 2017	5.51	5.51
20 June 2017	7.16	7.16

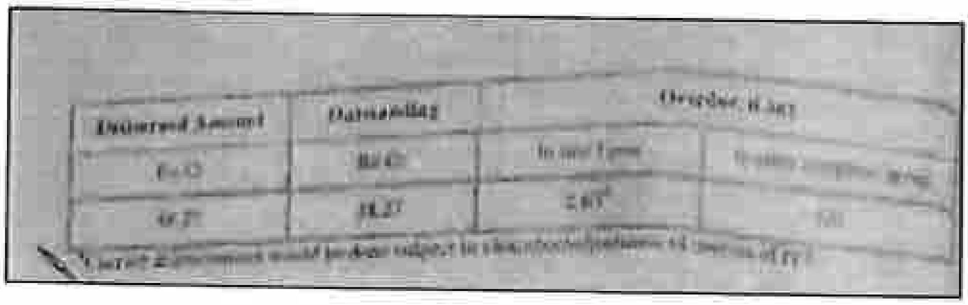
It has been observed that above disbursements has been utilized to clear the existing overdue positions in the account and which may have also resulted in possible evergreening of the Loan account especially when such adjustments are carried on year end date i.e., 31 March 2015.

Also, the disbursements dated 27 September 2016, 22 February 2017 and 20 June 2017 were done on suo moto basis by the company without the receipt of LCN from the lead financial institution.

Also refer CNK Comments on "Evergreening" below Matrix showing Loan Accounts and observations on page 5-6 of this report.

Relevant extracts of the disbursement notes are as below:

Disbursement note dated 31 March 2015:



Ledger balance reflecting adjustment of interest from the current disbursement:

PTC India Financial Services Ltd-2014-15

[illegible]

Particulars

Opening Balance

[illegible]

By Closing Balance

[illegible]

Disbursement note date 09 June 2016:

4. Status of Outstanding / Overdue of PFS (As on June 2, 2016)

Disbursed Amount	Outstanding	Overdue, if any	
Rs Cr	Rs Cr	In this Loan*	In other company group
[illegible]	[illegible]	[illegible]	[illegible]

Copy of Tally report is placed at Annexure C.

* [illegible]

Disbursement note dated 27 September 2016:

2. Disbursement Details:

Particular	Till Date of previous LCN		Present Request*		Total after proposed disbursement	
	Rs Cr	% of Sanction	Rs Cr	% of Sanction	Rs Cr	% of Sanction
Disbursement by Consortium	235.89	82.50%	--	--	--	--
Disbursement of PFS	103.12	82.50%	2.70	2.16%	105.82	84.66%

*Proposed disbursement is in the absence of LCN from lead bank

Reason for any deviation (if any) in the proportion of PFS disbursement from the proportion of other co lender disbursement – NA, as the same is not known in the absence of LCN

MUMBAI

Comments and Recommendations

[illegible]

[redacted]

Disbursement note dated 22 February 2017:

4. Status of Outstanding / Overdue of PFS [illegible]:

Disbursed Amount	Outstanding	Overdue, if any	
		In this Loan*	In other company/group
Rs Cr	Rs Cr		
105.21	[illegible]	5.51	–

* Proposed to be adjusted from the instant disbursement. Borrower vide its letter dated [illegible] (Annexure A) has requested PFS to disburse Rs 5.51 Crore towards project purposes. [illegible] vide letter dated Feb 10, 2017 (Annexure B) has requested PFS to appropriate disbursement towards interest dues. Copy of Tally report is placed at Annexure E.

Disbursement note dated 20 June 2017:

2. **Disbursement Details:**

Particular	Till Date of previous LCN		Present Request*		Total after proposed disbursement	
	Rs Cr	% of Sanction	Rs Cr	% of Sanction	Rs Cr	% of Sanction
Disbursement by Consortium$	236.29	82.50%	–	–	–	–
Disbursement of PFS	111.34	89.07%	7.16	5.73%	118.50	94.80%

$ Based on last LCN. Current position unknown in the absence of LCN from lead bank
* Proposed disbursement is in the absence of LCN from lead bank and is proposed only towards adjustment of PFS overdue, based on the borrower's request.
Reason for any deviation (if any) in the proportion of PFS disbursement from the proportion of other co lender disbursement – NA, as the same is not known in the absence of LCN

3. Present rate of interest of PFS: 13.10% p.a. with monthly rest.

4. Status of Outstanding / Overdue of PFS (As on June 19, 2017):

Disbursed Amount	Outstanding	Overdue, if any (in Rs)	
Rs Cr	Rs Cr	In this Loan*	In other company/ group
111.34	111.34	7,16,29,504	–

PFS-Finance
Received on

1

B. Non-compliance of pre-disbursement condition

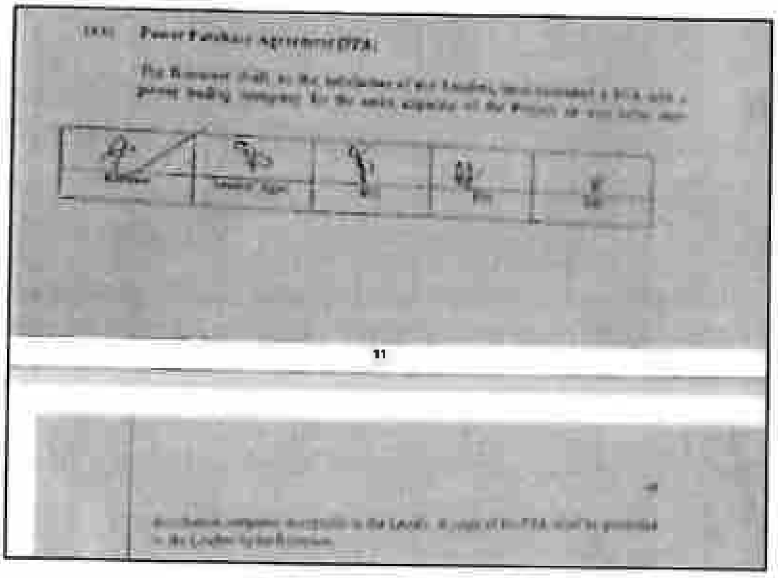
As per para 4.2(XX) of the Common Loan Agreement dated 29th July 2011, between the borrower and the PFS, the below condition was stipulated as a Condition precedent to Initial Drawdown:

"The Borrower shall have, to the satisfaction of the Lenders, have executed a PPA with the power trading company for the entire capacity of the project or any other state distribution companies acceptable to the lender."

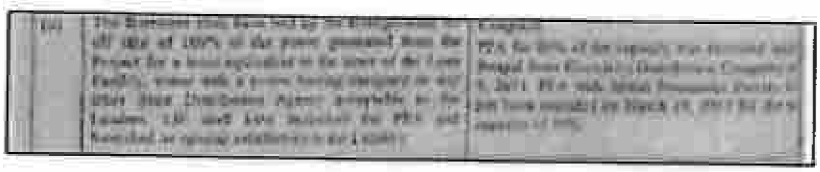
Considering the above condition, the borrower shall have executed the PPA for 100% of its capacity, however on verification of the loan documents it was observed that this condition was only partly complied by borrower at the time of initial drawdown amounting to Rs 38.27 crores on 09 November 2011. The complete compliance to this condition was achieved by borrower only on 19 March 2015 wherein it had entered into PPA for balance 40% of capacity.

Pending compliance of such critical pre disbursement condition the company had undertaken initial disbursement.

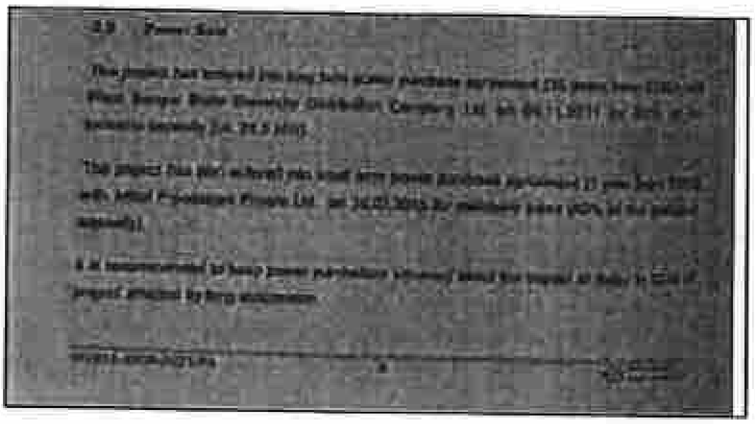
The relevant extracts of CLA produced below:



The Relevant extracts of the disbursement note is given below:



Extracts of LE report:

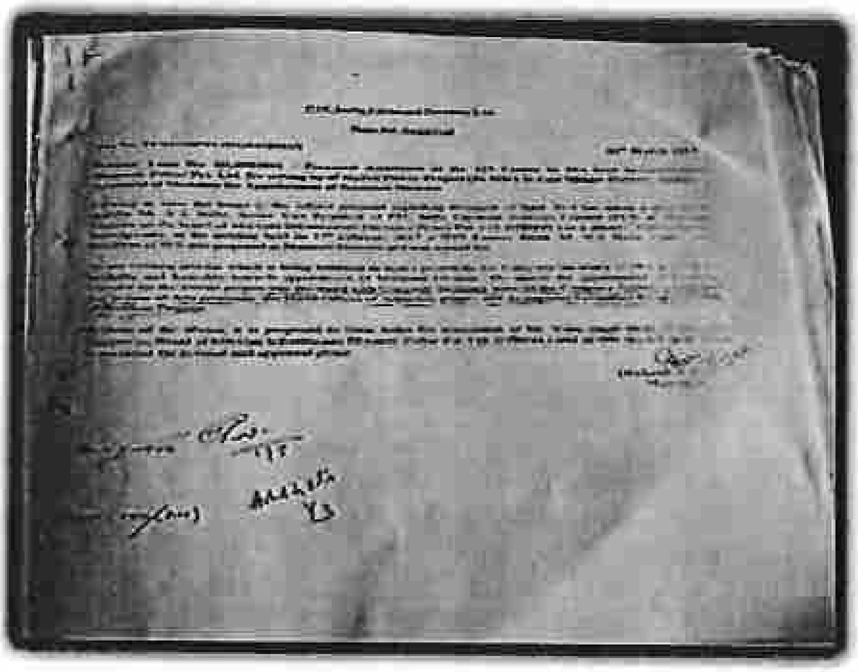


C. Disbursement despite diversion of funds by the borrower

PFS had made the first disbursement on 9th November 2011 amounting to Rs. 38.27 crores along with the lead bank to the borrower in the designated TRA account. Upon disbursement of funds the borrower had withdrawn an amount of Rs 18.97 crores from the Project TRA without being authorized from the lead lender i.e., [redacted] Despite several opportunities provided to the borrower for bringing back the amount so withdrawn from the TRA account, however the borrower did not bring back the same. Despite such irregularities identified in the account the company had made subsequent disbursement in November 2011., The company had disbursed Rs 116. 07 crores in the account out of Rs 125 crores of the sanctioned limit! (i.e., upto 92% of the sanctioned amount had been disbursed) It is also to be noted that the project completion was only 30% as per disbursement note dated 20 June 2017. Further from the review of documents provided, we noticed that other lenders had stopped the disbursement in between as LCN not received from lead bank but PFS continued subsequent disbursements at that time.

No forensic audit was done by the Company for the diversion of funds since as we understand there was no policy in place at that point in time to get a forensic audit done.

As represented by the company, 100 % provision was done as directed by the inspection report of RBI.



CNK Conclusion:

Based on the above observations, our conclusion in the matter is as under:

1. Possible evergreening of the account due to disbursements being made despite overdues in the account, such disbursement could have been used by borrower to clear the critical overdue positions;

2. Disbursement is made pending compliances of critical pre disbursement conditions like execution of PPA for the entire sanctioned capacity of the project;

3. Possible diversion of funds due to subsequent disbursement post unauthorised withdrawal of funds by borrower from TRA account.

CNK Index of Exhibits for [redacted] with all the relevant supporting:

Sr.No.	Particulars	Exhibit No.	Page No.
1.	Email dated 12th August 2021 from PFS to RBI w.r.t to OTS, legal status and suspected fraud in case of [redacted] and [redacted]	IA	109
2.	Email dated 16th December 2021 from [redacted] to [redacted] in case of [redacted]	IB	109
3.	Reply of email dated 16th December 2021 from [redacted] to [redacted] in case of [redacted]	IC	110
4.	Email dated 6th January 2022 from [redacted] to [redacted] in case of [redacted]	ID	110
5.	Reply to email dated 6th January 2022 from [redacted] in case of [redacted]	IE	111
6.	Email dated 14th February 2022 from [redacted] in case of [redacted]	IF	111
7.	Reply from PFS to RBI along with Relevant Extracts in case of [redacted]	IG	112
8.	Email dated 21st April 2022 from [redacted] to [redacted] case of [redacted]	IH	116
9.	Reply of email dated 21st April 2022, from [redacted] to [redacted] in case of [redacted]	II	117
10.	Email dated 30th May 2022 from [redacted] (PFS) to RBI w.r.t Supreme court order in favor of PFS in case of [redacted]	IJ	118
11.	Judgment of Honorable Supreme of India dated 12th May 2022 in favor of PFS in case of [redacted]	IK	119
12.	Agenda of 135th Board meeting in relation to OTS offer in case of [redacted]	IL	120
13.	Forensic Audit Report of issued by [redacted] Chartered Accountants dated 26th November2018 in case of [redacted]	IM	121

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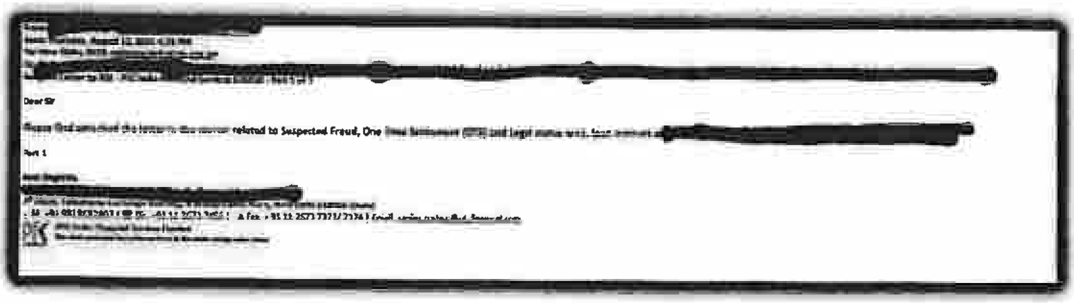
Sr.No.	Particulars	Exhibit No.	Page No.
14.	Copy of legal opinion commissioned by PTC India Limited with regard to non-disclosure of Forensic Audit Report	IN	123

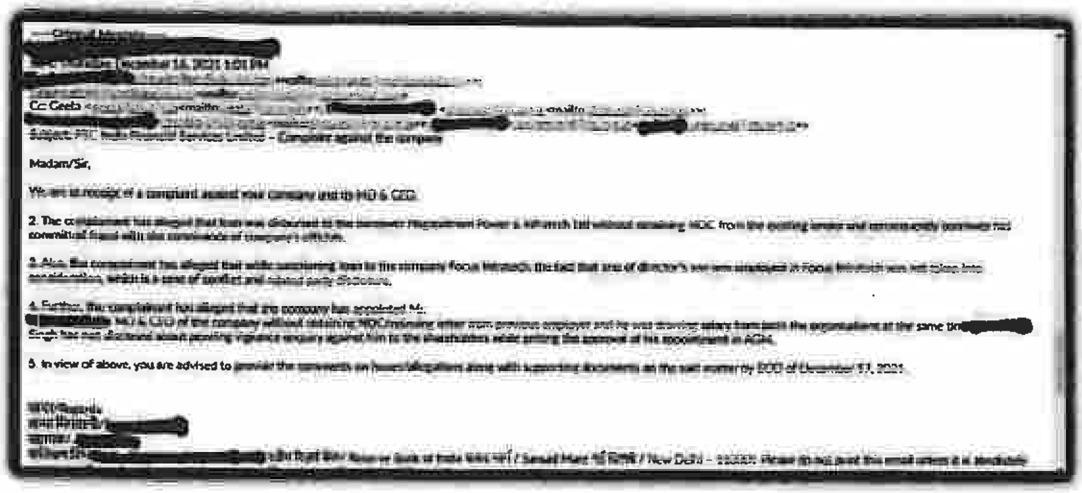
Exhibit-IA- Email dated 12th August 2021 from [redacted] RBI w.r.t to OTS ,legal status and suspected fraud in case [redacted]d.



Dear Sir

Part 1

Exhibit-IB- Email dated 16th December 2021 from [redacted] to [redacted] case of NSL Nagapatanam Power and Infratech Private Limited.



Madam/Sir,

5. In view of above, you are advised to

MUMBAI

Exhibit-IC- Reply of email dated 16th December 2021 from [redacted] in case of [redacted]

[redacted]
Sent: Monday, December 27, 2021 6:27 PM
[redacted]
Subject: [illegible] Services Limited – Complaint against the company

Dear Sir/ Madam

In response [illegible]

Point No 2 - [illegible] [redacted] [illegible]
sanctioned/ approved terms.

Point No. 3 - [illegible] [redacted]

Point No. 4 [redacted] [illegible] PTC India Financial Services Limited (PFS) as Director (Finance) & CFO about 10 years ago [illegible] of the Company.

[illegible]

Regards

[redacted]

Exhibit-ID- Email dated 6th January 2022 from [redacted] in case of [redacted]

[illegible]
-----Original Message-----
From: [redacted] [illegible]
Sent: Thursday, January 6, 2022 [illegible]
[redacted]
Cc: [redacted]
Subject: PTC India Financial Services Limited - Complaint against the company

Madam/Sir,

Please refer to the trailing email on the captioned subject.
2. In this regard, you are advised to provide the following information/documents:
A) With regard to the loan sanctioned to [redacted]
• Loan Agreement
• Current status of loan account
• Follow-up, monitoring and end use of funds
• [illegible]

B) Regarding appointment [redacted] [illegible]
• Details of previous employer [redacted]
• NOC [illegible]
• [illegible] [redacted] [illegible] in captioned company
• Appointment letter given [redacted] the company

3. Further, you are advised to provide the Forensic Audit report [illegible] [redacted] [illegible] action taken by the company in this regard by EOD of January 11, 2021.

C N K & ASSOCIATES LLP
MUMBAI
Chartered Accountants

Exhibit-IE- Reply to email dated 6th January 2022 from [redacted] to [redacted] in case [redacted]

[redacted]
Sent: Tuesday, January 11, 2022 [illegible] PM
[redacted]
Subject: [illegible] PTC India Financial Services Limited – Complaint against the company

Madam

As you are aware that COVID 19 infections are at peak [redacted] and few of our employees were tested positive for COVID 19 including the [illegible] [redacted]. In this situation it would not be possible for him to come office and [illegible] the documents/ information.

Considering the above, we seek 10 days time to submit the documents/ information.

Regards

[redacted]

Exhibit-IF- Email dated 14th February 2022 from [redacted] case [redacted]

[redacted]
Sent: [illegible] [redacted]
[illegible] [redacted]

Dear Sir,

Facts [illegible] [redacted]

1. [illegible]

[redacted] [illegible]

3. [illegible]

4. [illegible]

5. The Board constituted a [illegible] matter on December 15, 2020. [illegible]

6. [illegible]

7. In the Board meeting held on May 17, 2021, [illegible]

8. [illegible]

9. Report of the [illegible] on FAR was taken on record. [illegible]

10. [illegible]

[illegible]
[redacted]

Exhibit-IG- Reply from PFS to RBI along with relevant extracts in case of [redacted]

Dear Sir,

Upon a reading of the observations of your goodself and your team regarding PFS' lending to [redacted] we are constrained to note certain factual inaccuracies. Accordingly, we are taking this opportunity to address the same and would request you to modify the statements accordingly.

<table>
<tr><th>Relevant Extract of Paras of RBI Observation on [redacted]</th><th>Factual Position</th></tr>
<tr><td><u>Relevant Extract of Para 1:</u>
The extension granted for repayment of principal in the meeting dated September 16, 2015 was on the basis of scheduled COD, wherein the loan granted was bridge loan and not sanctioned as project finance</td><td>It is mentioned that the extension granted for repayment of principal was put up in the 71st Board meeting held on 16th September 2015 and approved by Board considering the then prevailing scenario.</td></tr>
<tr><td><u>Relevant Extract of Para 2:</u>
[redacted] was unable to repay the loan due to distress in the project and subsequently, insolvency proceedings were initiated.

The letters from NSL were dated of much later date and thus, no action was taken from the company side, identifying the stress in the account since February 2015. The final payment was received on September 23, 2016 and the account was marked as NPA as on March 31, 2017</td><td>In this regard it is mentioned that whenever a stress is evident in a loan, drastic legal action is not initiated in the first instant and the borrower is requested to pay the dues at the earliest. Further, in the instant case PFS has many collaterals including PDCs which were banked and as the same bounced, a case under section 138 of NI act was initiated on 18.04.2016. Thereafter, the entire over dues till 31st August 2016 were recovered and the account became regular. This was possible due to the various measures taken by PFS. It is a fact that subsequently as the borrower did not pay further, the account became NPA on March 31, 2017 as per the extant RBI norm for NBFCs. Following legal actions were initiated by PFS for recovery of the outstanding, prior to initiation of corporate insolvency resolution process against NSL:

<table>
<tr><th>Dates</th><th>Particulars</th></tr>
<tr><td>18.04.2016</td><td>PFS filed Cheque bouncing case u/s 138 of NI ACT</td></tr>
<tr><td>27.01.2017</td><td>PFS again filed Cheque bouncing case u/s 138 of NI ACT</td></tr>
<tr><td>25.04.2017</td><td>PFS served on NNPL and its group companies/directors a notice under Section 13(2) of the 'Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002' (SARFAESI) for payment of dues</td></tr>
<tr><td>16.1.2018</td><td>PFS invoked 31,60,678 number of pledged shares (14.56%) held by the [redacted] ultimate Holding Company of [redacted] in a company called [redacted]</td></tr>
</table></td></tr>
</table>

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	Energy Ventures Pvt Ltd (NEPVL), a sister concern of NNPIL.
<u>Relevant Extract of Para 3:</u> It was observed that before exercising the option of transferring the equity, the options regarding corporate guarantee and personal guarantee were not exercised. Transferring the equity has landed the company in legal troubles and which remain unresolved till date. As per the OTS policy, if a personal guarantee is available as a collateral against the PFS loan, certified copy of a practicing CA of net worth of the personal guarantor needs to be obtained. The same was not taken on record by the company (the affidavit was not certified by CA).	At the outset, the CA certificate provided in connection with the networth of the personal guarantors appears to have been mistakenly overlooked. The same is enclosed for ready reference at annexure - I. Thus, there was due compliance with the OTS Policy. As regards the consequences of invocation of pledge, the same remains sub judice before the Supreme Court of India, which prima facie found merit in the submissions of PFS, has stayed the corporate insolvency resolution process of [redacted], pending decision in the proceedings initiated by PFS. Insofar as the invocation of the corporate guarantee and personal guarantee is concerned, at the relevant time, PFS was not eligible to approach the Debt Recovery Tribunal and it would have been required to initiate civil suit for recovery against the guarantors which is a time consuming process.
<u>Relevant Extract of Para 4:</u> The forensic audit report ("FAR") on the [redacted] was received by the company and was put up on September 17, 2018 and same was accepted with the comments by MD & CEO on November 29, 2018. The report was not presented to the board until December 2020	The FAR specifically noted that "We have not applied the detailed and comprehensive forensic procedure for this assignment on account of non-cooperative attitude of the company." Further, the auditor also stated that: "Our checks relating to the project were limited to the scrutiny of the financial statements as no access was made available to the books of accounts. Therefore, GSA has not verified the complete transactions and its impact on accounts. We have not applied the detailed and comprehensive forensic procedures for this assignment on account of non-cooperative attitude of the company". The FAR was put up for the advice of CS & Legal Head, who noted that "Informations/facts mentioned in the report may be looked by concern department. These are not related to legal department. Any action to be taken by legal may be advised by concern department." Thereafter, it was put up to the MD & CEO of PFS, who noted that "some significant missing points are emerging in the Forensic report. Non-availability and / non revelation of information also has constrained complete study. NCLT to also approached for change of IRP in view of the findings. Our own legal department has not raised any significant points though

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	referred, in view of above, may go ahead with action as proposed." Thereafter, as there was issue with representation of PFS on the Committee of Creditors, which was adjudicated before the NCLT, NCLAT and then the Supreme Court, steps in terms of the FAR for further forensic process could not be taken. Since the "FAR" was inconclusive as forensic procedures could not be carried out, therefore as per practice was not informed to the Board. Further regarding the acceptance of the report, the same was done to facilitate the payment of the Auditor's fee for putting his effort in preparing the report.
Relevant Extract of Para 5: The Board constituted a committee of 2 independent directors to look into the matter on December 19, 2020. It was found that the Committee called for data on January 23, 2021 and the same was provided to the Committee on February 01, 2021. On the basis of the information supplied, the committee further framed detailed questionnaire and sent to PFS management on February 19, 2021, for management's reply and the reply was sent to the committee on March 26, 2021 after a gap of 35 days.	It may be borne in mind that the ongoing COVID-19 pandemic had flared up alarmingly by that time. It bears mentioning that despite enormous challenges, PFS employees continued to provide full information and support to the Committee. This included, inter alia, the legal opinion of the former Chief Justice of India (the opinion is placed at annexure-II). The officials of PFS also interacted with the Committee members on 05.04.2021, 06.04.2021, 13.04.2021 and 21.04.2021 to assist in finalization of the report. It is evident from the above that based on the volume of the information PFS management shared all the relevant information to the Committee on timely basis despite the pandemic.
Relevant Extract of Para 6: The FAR report was not provided/presented to the CRO and hence the comments/opinion of CRO were not recorded/considered.	The CRO was forwarded the FAR on 4th Nov 2020, while providing the clarification as asked by the CRO on conducting any forensic audit w.r.t. submission of agenda note with revised OTS offer for the second meeting of Business Committee which was held 15th Dec 2020. The copy of email is enclosed for the reference at annexure - III.
Relevant Extract of Para 7: In the Board meeting held on May 17, 2021, the Board took decision to report the account as suspected fraud to RBI and the reporting was to be done by the management in consultation with Audit Committee. It was found that the note on the same was prepared and put up to	The 133rd meeting of the Board was held on 17.05.2021 during the peak of the second wave of COVID-19 and the MoM were finally approved with correction from one of the Independent Directors on 14.06.2021 and therefore it is not correct to mention that the note on the same was prepared and put up to Audit Committee held on July 19, 2021 after a gap of 63 days. Further, there were restrictions in working of office due to ongoing Covid, however, despite such a severe and lethal epidemic, the

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Audit Committee held on July 19, 2021 after a gap of 63 days.	management submitted all the information as requested by the Committee within reasonable time on the Board. It is pertinent to mention that all the Government and other Regulatory Bodies have extended timelines for regulatory compliances due to ongoing pandemic.
Relevant Extract of Para 8: The company had identified this account as suspected fraud account, which was not reported as fraud as the matter was sub-judice in the Hon'ble Supreme Court of India. The matter pending in the Hon'ble Supreme Court of India did not pertain to the misutilization and diversion of funds appointing to suspected fraud. Accordingly, the company should have reported the account as fraud under regular reporting to RBI.	The interpretation that the account was identified as suspected fraud by the Board as the matter was sub-judice in Hon'ble Supreme Court is not as per the MoM of Board meeting held on 17.05.2021. The Board had itself mentioned, inter-alia, that the Borrower should be requested to supply the necessary documents so that the forensic audit could be completed early. It is clear that Board also understood that forensic audit was inconclusive and therefore mentioned it as suspected fraud and advised to report the same to RBI with consultation of Audit Committee. As per the MoM, the Board also mentioned that a view on the OTS offer by the promoters of [redacted] be taken only after the response is received from RBI on the matter, and a conclusive forensic audit report is available. As directed by Board the account was refered to RBI as "suspected fraud" on 12th August 2021. Regarding the matter pending in the Hon'ble Supreme Court, it is mention that the same is in regard whether PFS ceases to be a financial creditor on mere transfer of pledged shares without there being actual sale of the pledged shares. In case the Supreme Court judgment comes in PFS favour, PFS would get a seat in the CoC, subsequent to which PFS would be in a position to carry out a conclusive forensic audit on whether the fraud has occurred or not.
Relevant Extract of Para 9: Report of the ad-hoc Committee of independent Directors on FAR was taken on record. It is not clear whether issues mentioned in the conclusions and suggestions which can be considered for better governance, were implemented or not	It is mention that based on RBI's suggestion to implement a Risk Based Internal Audit System, PFS has engaged [redacted]. The scope inter-alia covers the suggestions made by Committee of 2 IDs suggestions which are under consideration.
Relevant Extract of Para 10: Though, the report has also mentioned the frustration caused to the efforts of PFS by the company/interim insolvency professional, the conclusion made	As mention earlier at Para 4, the FAR submitted by the Auditor was inconclusive because the forensic procedures could not be carried out by the Auditor and the same was mentioned in the MoM of the 133rd Board meeting held on 17th May 2021 wherein

by [redacted] regarding diversion of funds was not acted upon and the same was not reported to RBI as fraud after the receipt of the report i.e. November 26, 2018.	the Board also understood that forensic audit was inconclusive and therefore mentioned it as "suspected fraud". The decisions relating to the account are summarized as follows: - *The matter should be reported to RBI as a suspected fraud, the reporting to be done by the management in consultation with the audit committee. In parallel the Borrower should be requested to supply the necessary documents so that the forensic audit could be completed early.* - *A view on the OTS offer by the promoters of [redacted] be taken only after the response is received from RBI on the matter, and a conclusive forensic audit report is available.* Accordingly, the matter of suspected fraud and developments in the instant case and status of one time settlement was informed to RBI vide letter dated 12th August 2021 (the RBI letter is placed at annexure – IV). Regarding the diversion of fund, no substantial evidence and value was reported in the forensic audit report. The report also does not indicate any modus operandi for any such diversion

Exhibit-IH- Email dated 21st April 2022 from [redacted] to [redacted] case of [redacted]

[redacted]

Dear Sir,

[illegible]

You are advised to submit the following information

1. [illegible] board meeting, [illegible]

2. Did MD and CEO [illegible] DO? If yes, share the letter/email

3. [illegible]
   a. [illegible]
   b. [illegible]
   c. [illegible] company

4. What queries were raised [illegible]

5. Does the company [illegible] board members?

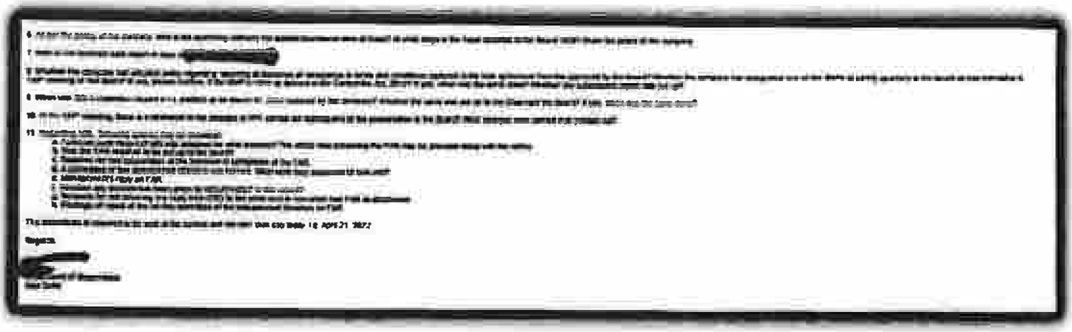
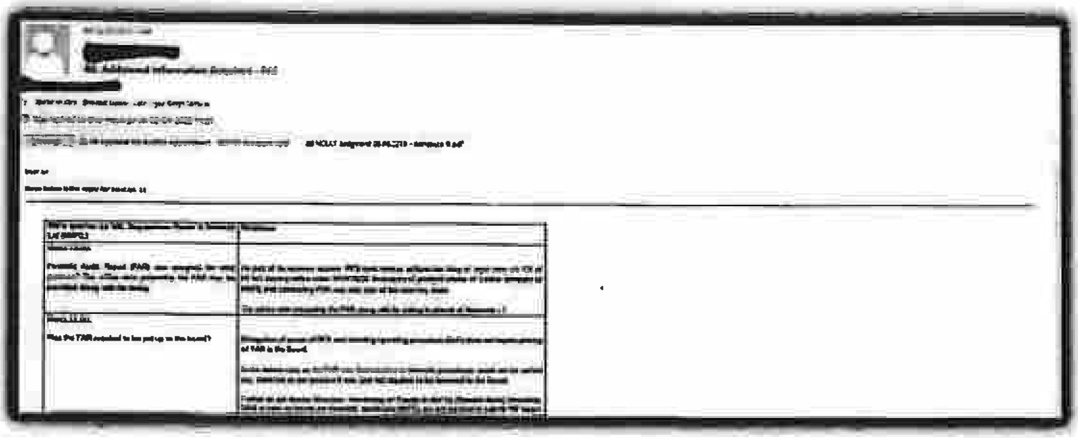
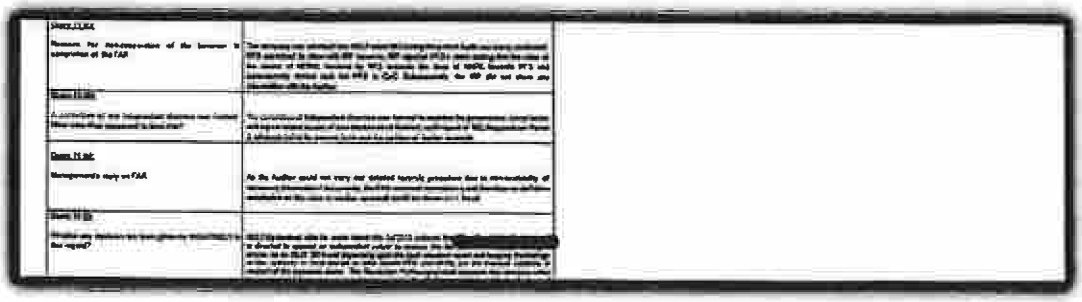


Exhibit-II- Reply of email dated 21st April 2022 from [redacted] in case of [redacted]





	[illegible] The order of NCLT is placed at Annexure – [illegible] [illegible] NCLT Hyderabad order [illegible] The order of NCLAT is placed at Annexure – [illegible]
Query 11 (a). [illegible] from CRO to the [illegible]	[illegible]
Query 11 (b). Findings of [illegible] committee of the [illegible]	The actions recommended by the [illegible] – a) report to RBI b) Set up [illegible] Reporting.

Regards

Exhibit-IJ-Email dated 30th May 2022 from [redacted] to RBI w.r.t Supreme court order in favor of PFS in case of [redacted]

[redacted]

Letter to RBI – PTC India Financial Services Limited (PFS)

[illegible]

Dear,

Please find [illegible] [redacted]

[illegible]

Exhibit-IK- Judgment of Honorable Supreme of India in favor of PFS in case of [redacted]

H. <u>Conclusion</u>

13.1 For the aforesaid reasons, the present appeal must be allowed and the impugned order passed by the Appellate Authority dated 20th June 2019 upholding the orders of the Adjudicating Authority dated 6th July 2018 and the emails of the IRP dated 19th February 2018 are set aside. It is held that [redacted] is not a secured creditor of the Corporate Debtor, namely [redacted] to the extent of the value of the 31,80,678 shares. [redacted] has rightly made a claim as financial creditor of the Corporate Debtor without accounting for the value of 31,80,678 shares of [redacted], in its claim petition. Insolvency proceedings against the Corporate Debtor, namely [redacted] will proceed accordingly.

13.2 The appeal is allowed in the aforesaid terms without any order as to costs.

....J.
[redacted]

....J.
[redacted]

[redacted]
MAY 12, 2022.

<u>Civil Appeal No. [illegible] of [illegible]</u> Page [illegible] of [illegible]

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Exhibit-IL-Agenda of 135th Board meeting related to OTS offer in case of NSL Nagapatanam Power and Infratech Private Limited.

Subsequently, based on the response vide email dated 4th March 2021 from [redacted] the following is the revised final OTS Offer:

Particulars	Offer presented in the 4th Business Committee	Revised OTS Offer
Offer Amount	Rs 90 crores	Rs 90 crores
Tranche -1	Rs 4.5 crores as EMD amount (i.e. 5% of offer amount) shall be payable upfront along with the revalidated OTS offer letter which shall be encashed on the date of settlement agreement by PFS.	Rs 4.5 crores as EMD amount (i.e. 5% of offer amount) which shall be encashed on the date of settlement agreement by PFS.
Tranche – 2 of Offer Amount	Rs 22.5 crores (i.e. 25% of Offer amount) shall be payable within 90 days from the date of execution of settlement agreement	Rs 22.5 crores (i.e. 25% of Offer amount) to be paid on or before the execution of Settlement Agreement
Tranche – 3 of Offer Amount : Final Payment	Rs 63 crores shall be payable in four (4) equal quarterly installments starting 91st day and ending 450th Day from the date of execution of settlement agreement. For avoidance of doubt, detail / elaborated payment timing of Tranche -3 is given below: *i. 1st installment of Tranche-3 to be paid on or before 180th Day from the date of execution of settlement agreement.* *ii. 2nd installment of Tranche-3 to be paid on or before 270th Day from the date of execution of settlement agreement.* *iii. 3rd installment of Tranche-3 to be paid on or before 360th Day from the date of execution of settlement agreement.*	Rs 63 crores shall be payable starting day One and ending to 270th Day from the date of execution of settlement agreement. For avoidance of doubt, detail / elaborated payment timing and amount of Tranche -3 is given below: *i. 1st installment of Rs 15.75 crores of Tranche-3 to be paid on or before 90th Day from the date of execution of settlement agreement* *i. 2nd installment of Rs 15.75 crores of Tranche-3 to be paid on or before 180th Day from the date of execution of settlement agreement.* *ii. 3rd installment of Rs 31.50 crores of Tranche-3 to be paid on or before 270th*

Exhibit-IM - Forensic Audit Report of issued by [redacted] Chartered Accountants dated 26th November2018 in case of [redacted]

7. Conclusions

1. The company/interim insolvency professional has frustrated the efforts of PFS for the forensic audit by deliberately evading the pointed queries/replies to questionnaire. The company has submitted only the information which is also available in public domain and the files of PFS. The company has consciously denied access to the books of account, correspondence and details relating to their EPC contract awarded to [redacted] which was essentially the central aspect of the entire examination.

2. Analysis of statement of accounts with the only bank account of Axis bank of the company reveal large funds flows amongst related parties /entities. Transactions with related entities appear to be in the nature of financial transfer of funds to and fro and appear to have been resorted to for meeting the funds requirements at [redacted] and for demonstrating capital infusion.

3. Loans to related parties /entities tantamount to diversion of funds.

4. The group has followed a step up and circular approach using several intermediate layers for share capital of various group companies. All the investor companies and holding companies have very little capital funds. This approach results in concealing the actual source of capital as cause of fund flows amongst related parties appear difficult to map for the genuine project expenditure on an Arm's length distance

5. The company's accounting practices with regard to transactions with [redacted] are not considered commercially prudent. Payment of advance even when the commercial contract and EPC terms have not been finalised and the receipt of advance bearing interest for the company appear to be strange and prejudicial to the interests of the company.

6. Continuation of advance against an undefined EPC contract and advance by them to the company and subsequent adjustments made in the account appear to be quid pro arrangements.

7. The conduct of the interim insolvency professional in not providing the information for the forensic audit is also unusual and against the spirit of IBC.

[redacted] | Conclusions

8. Suggestions

PFS may also examine the pros and cons of changing the resolution professional in view of his not providing the information asked for by us for the forensic audit.

1. In view of the recalcitrant attitude of the company in providing information, PFS may also consider by enforcing the forensic procedures on the company through intervention of NCLT
2. The transactions between [redacted] and [redacted] need to be examined under the provisions of IBC code under:
   i. Preferential transactions under section 43;
   ii. Undervalued transactions under section 45;

[redacted]

For and on behalf of
[redacted]
Chartered Accountants
[redacted]

[redacted]
Partner
[redacted]

Place: New Delhi
Date: 26 - 11 - 2018

Exhibit-IN: Copy of legal opinion commissioned by PTC India Limited with regard to non-disclosure of Forensic Audit Report.

PRIVILEGED AND CONFIDENTIAL

R-243 **December 15, 2020**

EX-PARTE QUERIST: PTC INDIA LIMITED

Re: Opinion with regard to non-disclosure of Forensic Audit Report dated 26.11.2018 prepared by Auditors appointed by PTC India Financial Services Limited for audit of one of its borrowers, [redacted], in the First Agenda Note presented before the Business Committee of Board of PTC India Financial Services Limited for consideration of One Time Settlement Offer on behalf of the borrower.

1. This refers to the Brief for Opinion dated 11.12.2020 and the discussions with [redacted], Advocates, and [redacted], Executive Director and CRO, PTC India Limited.

2. My opinion has been sought on behalf of the Querist, PTC India Limited, a 65% equity shareholder of PTC India Financial Services Ltd. ("PFS"), on certain issues arising out of the non-disclosure of a Forensic Audit Report dated 26.11.2018 ("Forensic Audit Report") of one of its borrowers, [redacted] in the First Agenda Note. This Agenda Note was presented before the Business Committee of Board of PFS for its consideration of a One Time Settlement Offer proposed on behalf of the NNPIL.

3. The Querist has provided copies of the following documents:

    a. Forensic Audit Report dated 26.11.2018;
    b. Memorandum for the Business Committee of Board – Agenda Item No. 1.4;
    c. Memorandum for the Business Committee of Board – Agenda Item No. 2.4;
    d. Email dated 26.11.2020 issued on behalf of the Business Committee of Board by Director & Group CRO of the Querist, who is also a member of the Business Committee of Board;
    e. Email dated 07.12.2020 issued by PFS in response to the email dated 26.11.2020; and
    f. Framework/Guidelines on Resolution of Stressed/NPA Assets through 'One Time Settlement' (OTS) / Compromise Settlement with the Borrower/Promoter/ Guarantor / New Investor.

4. Facts in brief relevant for my opinion, as appearing from the documents and as disclosed in the Brief for Opinion dated 11.12.2020 are as under:

4.1 Initially a Term Loan of Rs.150 Crore was sanctioned to be disbursed to [redacted] by PFS, and such loan was to form part of a consortium-controlled loan of a higher amount to be disbursed to [redacted] by 3 entities;

4.2 At the request of [redacted] out of the said loan of Rs. 150 Crore, a Bridge Loan of Rs.125 Crore was sanctioned by PFS to [redacted] for setting up a coal - based project of 1320 MW in [redacted] District, [redacted] by way of a sanction letter dated 05.02.2014.

4.3 This Bridge Loan was ultimately supposed to have been made a part of the Consortium Loan, but that event never took place;

4.4 The Bridge Loan was *inter alia* secured through 26% pledge of shares held by [redacted] (promoter of [redacted]) ("[redacted]"), in [redacted] ([redacted]), a sister company of [redacted]. This pledge was reduced to 14.98% owing to issuance of additional shares by [redacted] without further pledging of a proportionate number of shares to PFS.

4.5 [redacted] had additionally also provided 16 post-dated cheques for repayment of the Bridge Loan. These cheques were issued by [redacted]. Out of the said cheques, 4 cheques were issued towards quarterly principal repayment obligations and 12 cheques were issued towards interest payment obligations for a period of one year.

4.6 [redacted] defaulted in its interest payment obligations, as a result of which the account became irregular. Further, even the cheques issued by [redacted] were dishonoured by the banks. Proceedings under Section 138 of the Negotiable Instruments Act, 1881 are stated to be pending adjudication.

4.7 The account of [redacted] was declared NPA on 31.03.2017.

4.8 As has subsequently come to the knowledge of the Querist, on 02.11.2017, PFS had appointed auditors to conduct a forensic audit into the affairs of [redacted] and ascertain the end of use of funds made available to [redacted] given by way of the Bridge Loan sanctioned by PFS. The auditors submitted their Forensic Audit Report on 26.11.2018.

Page 2 of 14

4.9 On 16.01.2018, PFS invoked the pledged shares held by [redacted] in [redacted]. The shares could not, however, be sold and no money has been recovered to date pursuant to such invocation.

4.10 PFS filed a Petition under Section 7 of the Insolvency and Bankruptcy Code, 2016 ("IBC") seeking initiation of the corporate insolvency resolution process against [redacted].

4.11 [redacted] also filed a Petition under Section 10 of the IBC.

4.12 On 18.01.2018, the National Company Law Tribunal ("NCLT") Hyderabad, admitted the Petition filed by [redacted] under Section 10 of the IBC.

4.13 PFS accordingly withdrew its Petition filed under Section 7 of the IBC and filed a claim as a Financial Creditor in the prescribed format before the Resolution Professional of [redacted]

4.14 The Resolution Professional refused to admit the claim of PFS as a Financial Creditor on the ground that the Bridge Loan advanced by it stood "satisfied" on account of invocation of pledged shares, the value of which purportedly exceeded the loan advanced.

4.15 In view thereof, the stand of the Resolution Professional was challenged by PFS before NCLT, Hyderabad. The Hon'ble NCLT by its Order dated 06.07.2018 held that the value of the invoked shares be deducted from the outstanding claims of PFS, and PFS be given a place in the Committee of Creditors on the basis of the residual loan amount. Hon'ble NCLT empowered the Resolution Professional to get an independent valuation done and then set off the loan to the extent of the valuation. As per the Resolution Professional the value of the pledged shares was Rs. 174.69 Crore, which exceeded the outstanding loan amount of Rs.169.19 Crore as on 18.01.2018. Therefore, PFS was not made a part of the Committee of Creditors. As per PFS the value of the pledged shares stood at a mere Rs. 20.39 Crore.

4.16 PFS filed an Appeal against the same before the National Company Law Appellate Tribunal ("NCLAT"). The Hon'ble NCLAT by its Order dated 20.06.2019 refused to interfere with the Order dated 06.07.2018 of the Hon'ble NCLT, Hyderabad.

4.17 Aggrieved by the Order dated 20.06.2019 of the Hon'ble NCLAT, PFS filed an Appeal before the Hon'ble Supreme Court of India. The Hon'ble Supreme Court ordered stay of the proceedings on 19.07.2019. Thereafter, [redacted]. (promoter of [redacted]. initiated some settlement talks with PFS and

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the parties accordingly submitted before the Hon'ble Supreme Court that they are in settlement talks. The interim order is continuing and the matter is pending adjudication.

4.18 As of September 2020, the average valuation of the pledged shares as per independent valuers is around Rs.1.24 Crore.

4.19 [redacted]., (promoter of [redacted]), offered a One Time Settlement on behalf of [redacted]., which has been subsequently revised.

4.20 A Memorandum containing an Agenda Item No. 1.4 was prepared for the consideration of the Business Committee of the Board of Directors of PFS ("Business Committee"), giving details of the One Time Settlement offer made by [redacted] on behalf of [redacted], a revised settlement offer, legal opinion on settlement, etc. On 17.10.2020, the Agenda was presented before the Business Committee for consideration of the said offer, for it being recommended for consideration of and approval by the Board of Directors of PFS.

4.21 After going through the presented material, the Business Committee asked PFS to re-negotiate the offer and to reduce the timeline for payment. Further, the Business Committee desired that the response to the observations of the Risk Unit of PFS ("Risk Unit") be further discussed with the Risk Unit.

4.22 In view thereof, a revised Memorandum was prepared containing Agenda Item No. 2.4.

4.23 The said Agenda Item 2.4 recorded that [redacted] had expressed its inability to either increase its offer or to reduce the payment timeline.

4.24 Agenda Item 2.4 also contained updated observations/comments of the Risk Unit, as also a revised response of PFS to the said observations/comments.

4.25 One of the observations/comments of the Risk Unit was concerning the absence of the conduct of a forensic audit of [redacted], especially in view of the fact that conduct of a forensic audit was not only an industry practice before undertaking a one-time settlement transaction but has been a practice previously undertaken by PFS itself while undertaking one-time settlements in other matters. In response to the said observations/comments of the Risk Unit, for the first time the concerned personnel of PFS disclosed that a forensic audit of [redacted] had in fact been conducted by auditors appointed by PFS in this regard.

4.26 On questions being raised by the Executive Director of the Querist (also being a member of the Business Committee of PFS) on behalf of the Business Committee, as to why the existence of the Forensic Audit Report had not been disclosed earlier, it was stated that the Report had not been disclosed earlier, as the Forensic Audit Report was found to be inconclusive, due to non-cooperation by [redacted], and the Resolution Professional of [redacted]

5. In light of the above facts, the Querist has sought my opinion on the following issues:

   i. *Whether the Forensic Report has highlighted certain irregularities which are tantamount to fraud?*

   ii. *Whether the Forensic Audit Report can be treated as inconclusive? (and therefore, not requiring disclosure in the Agenda of the Business Committee in the first instance)*

   iii. *Whether non-disclosure of PFS of material information is in violation of any provision(s) of the Companies Act (Please refer Section 448 of the Companies Act)?*

   iv. *Whether PFS should have acted on the recommendation in the Forensic Audit Report?*

   v. *Whether after receipt of the Forensic Audit Report, PFS was under an obligation to report to RBI as per Circular?*

6. Having perused the Forensic Audit Report, it is quite evident that the Report at the very least raises suspicions of fraud. This is evident *inter alia* from the following observations made in Forensic Audit Report, namely: -

   i. *"Proposed Utilisation Plan of Bridge Loan – Based on the implementation schedule then, the company also stated that it is required to incur the following expenditure and requested PFS to sanction the bridge loan to enable it bridge the gap of resources to incur the expenditure. The summary of proposed expenditure under Bridge loan facility is given in the table below:*
   1. Balance Land Acquisition;
   2. 33/11 kV Substation at Project Site;
   3. Bay extension at [redacted] Sub Station;
   4.:::::::::;

14. CSR...
No audit trail exists in respect of items from 2 to 14 which were supposed to have been incurred out of the disbursement from PFS and as such the disbursement from PFS appears to have been utilized for other purposes."

ii. *"Most of the expenditure as stated in the original request has not been incurred as is evident from the Fixed Assets appearing in the schedule of the Balance Sheet."*

iii. *"The treatment of transaction with [redacted] raise doubts with regards to the nature of works performed by them and the rationale for the financial transactions commencing from 2013. It has transpired that in the subsequent years, the company has invoked arbitration proceedings against the contracts entered with [redacted] in the year 2016-17. The final arbitration order is reportedly issued on April 29, 2017 in favour to the Company and the dues settled in the month of May 2017. However, the entire financial impact relating to the arbitration order is relating to the period up to March 31, 2017, has been recorded in the books of accounts and the total financial impact was considered in financial year 2016-17 books only by the management."*

iv. *"In the financial statements for the year ended 31st March 2016 & 2017, the company reported that they have invoked arbitration proceedings against [redacted] and recorded the following accounting entries in the books of accounts:*

a. ICD Interest which was charged for the earlier years (Financial years 2014, 2015 & 2016) have been reversed stating that the interest on inter corporate borrowing is not payable
b. The intercorporate deposit of Rs. 170 Crs have also been reversed in anticipation of the favourable arbitration award.
c. Further as a consequence of the anticipated favourable judgement the company reversed Project liabilities amounting to Rs. 47,25,97,517 as the same were not acknowledged as debt in books of accounts as per the disclosure."

v. *"Therefore, in view of the overall scheme of things, the bridge loan dues of PFS have remained unpaid mainly on account of non-recovery of the dues from the related parties. The end use of funds becomes irrelevant & immaterial taking in view the turn of events as reported in the financial statements and covered in our report."*

vi. *In the absence of the access to books of accounts, the exact utilization also could not be ascertained.*

vii. *"Company has a large number of related parties. The movements of funds to and from the related parties in the account of [redacted] reveals that fund transfers were moving to facilitate the payments needs of the company which probably were required to demonstrate the infusion of capital as per the requirements of the lending institutions."*

viii. *"Excess of related party payments against the receipts from related party indicate fund diversion at least on timing basis."*

ix. *"In the instant case, the capital contribution brought in has been deployed immediately by providing an advance to the EPC Contractor namely Tata Projects Limited without the finalization of the contract and the scope of funds. The same has been routed back as an intercorporate deposit bearing interest which has been provided for as an expense in the balance sheet initially and reversed subsequently."*

x. *"The entire amount was paid in a span of one month without even finalizing the terms of the contract."*

xi. *"The ICDs were given back a few days later which raise the suspicion of round tripping of funds."*

xii. *"The subsequent events of invocation of arbitration, arbitration award and the treatment in the financial statements does not inspire confidence on the principles of prudence and consistency."*

xiii. *"Analysis of statement of accounts with the only bank account of Axis bank of the company reveal large funds flows amongst related parties /entities. Transactions with related entities appear to be in the nature of financial transfer of funds to and fro and appear to have been resorted to for meeting the funds requirements at [redacted] and for demonstrating capital infusion."*

xiv. *"Loans to related parties /entities tantamount to diversion of funds."*

xv. *"The group has followed a step up and circular approach using several intermediate layers for share capital of various group companies. All the investor companies and holding companies have very little capital funds. This approach results in concealing the actual source of capital as cause of fund flows amongst related parties appear difficult to map for the genuine project expenditure on an Arm's length distance."*

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"The company's accounting practices with regard to transactions with [redacted] are not considered commercially prudent. Payment of advance even when the commercial contract and EPC terms have not been finalised and the receipt of advance bearing interest for the company appear to be strange and prejudicial to the interests of the company."

xvi. *"Continuation of advance against an undefined EPC contract and advance by them to the company and subsequent adjustments made in the account appear to be quid pro arrangements."*
(emphasis supplied)

7. **It is seen that though the Forensic Audit Report at some places seems to have not conclusively stated that there was diversion and / or misutilisation of all the funds given under the Bridge Loan, however, it is evident from an overall reading of the Forensic Audit Report, especially the portions again reproduced below, that the Auditors were clear in their Report that from the information and documents that were provided to them, in their opinion there was sufficient material, like missing audit trails, non-utilisation of funds, mis-utilisation of funds, revealing entries in the nature of large scale related party transactions, that indicated that, in fact, there existed actual diversion and / or misutilisation of the funds given under the Bridge Loan, namely:**

"No audit trail exists in respect of items from 2 to 14 which were supposed to have been incurred out of the disbursement from PFS and as such the disbursement from PFS appears to have been utilized for other purposes.";

"Most of the expenditure as stated in the original request has not been incurred as is evident from the Fixed Assets appearing in the schedule of the Balance Sheet.";

Excess of related party payments against the receipts from related party indicate fund diversion at least on timing basis.";

"Loans to related parties /entities tantamount to diversion of funds.;

"The ICDs were given back a few days later which raise the suspicion of round tripping of funds.;

"Continuation of advance against an undefined EPC contract and advance by them to the company and subsequent adjustments made in the account appear to be quid pro arrangements".
(emphasis supplied)

8. In any event, in my opinion, even if read at its lowest, the Forensic Audit Report highlighted sufficient irregularities which raised clear suspicion of fraudulent activities in the account of [redacted]. The observations made in the Forensic Audit Report reproduced above show that the Auditors were clear that funds provided to [redacted] by way of the Bridge Loan were mis-utilised. The various acts of omission and commission by [redacted], as reported in Forensic Audit Report, such as large - scale related party transactions, especially the timing of such entries, the round tripping of inter-corporate deposits etc. definitely indicated, if not confirmed, diversion and/or misappropriation of the Bridge Loan amount. In light of the uncooperative attitude of [redacted] as also the Resolution Professional, the Forensic Audit Report could perhaps only go that far and no further.

9. Considering that the Forensic Audit Report in the very least disclosing large unexplained related-party transactions, with suspicious timings of such transactions, suspicious round tripping of funds, diversion and/or misappropriation of the loan amount, coupled with the fact that the Bridge Loan was not repaid, in my considered view, there appears to have been no justifiable reason for the concerned personnel of PFS not to have disclosed the Forensic Audit Report for over two years and not having placed the Report for assessment before the Risk Unit, as also the Business Committee. The said Forensic Audit Report would have surely assisted the Business Committee in taking a more comprehensive and considered view of the matter while assessing whether or not to recommend the One Time Settlement offer made on behalf of [redacted] to the Board.

10. The observations in the Forensic Audit Report resulted in the Forensic Report itself becoming a very material fact for consideration of the Risk Unit and the Business Committee. Moreover, given that there is an industry practice of getting a forensic audit done in practically all the cases involving settlement of loans on one-time settlement basis, and the Framework/Guidelines of PFS prescribe use of industry practices as guidance when entering into one time settlements so as to arrive at the best solution, in my opinion, the Forensic Audit Report ought to have been disclosed most definitely at the very first instance to the Risk Unit and to the Business Committee, and even to the Board of Directors. *Prima facie*, there appears to be a dereliction of duty by the concerned managerial personnel of PFS, which, of course, can only be fully established upon proper enquiry.

11. Further, the act of initial and continued concealment and / or ~~non-disclosure~~ of the Forensic Audit Report, which Report to my mind clearly disclosed fraudulent and illegal activity on behalf of the borrower, [redacted] and in any event at the very least raised serious suspicions of fraudulent activity, is not in keeping with the best management practices as envisaged in the Companies

Act, 2013 and the applicable Corporate Governance Directions issued by Reserve Bank of India in respect of Non-Banking Financial Companies.

12. In my opinion, the concealment of the Forensic Audit Report can be said to be a fraudulent act punishable under the Companies Act, subject to it being established in accordance with law. In this regard, the Explanation to Section 447 of the Companies Act, 2013 can be usefully referred to, which provides that "*'fraud' in relation to affairs of a company or any body corporate, includes any act, omission, concealment of any fact or abuse of position committed by any person or any other person with the connivance in any manner, with intent to deceive, to gain undue advantage from, or to injure the interests of, the company or its shareholders or its creditors or any other person, whether or not there is any wrongful gain or wrongful loss*".

13. Further, the non-reporting of the facts as disclosed in the Forensic Audit Report of the apparent fraud and in any case the suspicion of fraud to them Reserve Bank of India, in compliance of The *Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016*, was in of breach of the said directions. The Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016 provide *inter alia* that a systemically important non-deposit taking NBFC having asset value of more than Rs. 500 Crore is under an obligation to report both proved and suspected frauds to the Reserve Bank of India. The same is also evident from the form, being FMR – 1 appended to the said Directions. Fraud of or above rupees one crore is required to be reported by way of a letter within 1 (one) week of such fraud and within 3 (three) in the prescribed format from the date of coming to the notice of the NBFC. Chapter IV, read with Column at Sl. No. 10(6) and Part B of Form FMR-1 makes it evident that even in cases of suspected fraud by the borrowers, reporting is required to be done.

14. The Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016 issued by Reserve Bank of India, classifies fraudulent acts as under: -

"*In order to have uniformity in reporting, frauds have been classified as under mainly based on the provisions of the Indian Penal Code:*

(a) Misappropriation and criminal breach of trust
(b) Fraudulent encashment through forged instruments, manipulation of books of account or through fictitious accounts and conversion of property
(c) Unauthorised credit facilities extended for reward or for illegal gratification.
(d) Negligence and cash shortages
(e) Cheating and forgery
(f) Irregularities in foreign exchange transactions

(g) *Any other type of fraud not coming under the specific heads as above." (Emphasis supplied)*

Chapter – IV (*Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016)* provides for reporting of fraud as under:

....

"2. **Frauds committed by unscrupulous borrowers**

(i) Frauds committed by unscrupulous borrowers including companies, partnership firms/proprietary concerns and/or their directors/partners by various methods including the following:

(a) Fraudulent discount of instruments;
(b) Fraudulent removal of pledged stocks/disposing of hypothecated stock without the NBFC's knowledge/inflating the value of stocks in the stock statement and drawing excess finance;
(c) Diversion of funds outside the borrowing units, lack of interest or criminal neglect on the part of borrowers, their partners, etc. and also due to managerial failure leading to the unit becoming sick and due to laxity in effective supervision over the operations in borrowal accounts on the part of the NBFC functionaries rendering the advance difficult of recovery;

(ii) In respect of frauds in borrowal accounts, additional information as prescribed under Part B of FMR – 1 should be furnished."

....

"Chapter – VI (*Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016)* provides as under:

Reports to the Board

1. Reporting of Frauds

(i) Applicable NBFCs should ensure that all frauds of ₹ 1 lakh and above are reported to their Boards promptly on their detection.

(ii) Such reports should, among other things, take note of the failure on the part of the concerned officials, and consider initiation of appropriate action against the officials responsible for the fraud."

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15. Form FMR -1 contains the following heading, which establishes that even cases of suspected frauds have to be disclosed to Reserve Bank of India.

"FMR – 1
Report on Actual or Suspected Frauds in NBFCs
(Vide chapter IV)"

16. There are various other reporting requirements under the said Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016.

17. PFS, being a systemically important non-deposit taking NBFC, having asset value of more than Rs. 500 Crore was thus under an obligation not only to report the suspected fraud regarding the Bridge Loan given to [redacted] to the Reserve Bank of India, (within 1 (one) week of such fraud and within 3 (three) in the prescribed format from the date of the fraud coming to the notice of the NBFC), but additionally also to its Board of Directors.

18. In the light of the above, the Queries are answered as under:

   i. *Whether the Forensic Report has highlighted certain irregularities which are tantamount to fraud?*

18.1 From the observations made in the Forensic Audit Report as reproduced above and in the light of the Explanation defining the meaning of the word 'fraud' in Section 447 of the Companies Act, 2013, I am of the considered opinion that the Forensic Audit Report discloses details of highly suspicious activities in the accounts of the borrower, [redacted], which would tantamount to fraud, once proved in accordance with law.

   ii. *Whether the Forensic Audit Report can be treated as inconclusive? (and therefore, not requiring disclosure in the Agenda of the Business Committee in the first instance)*

18.2 In my opinion, the Forensic Audit Report cannot be deemed to be inconclusive to the extent that it discloses in no uncertain terms highly suspicious activities in the accounts of the borrower, [redacted], which the Report itself alludes to, like utilisation of funds for other purposes, diversion of funds, suspicion of round tripping of funds, quid pro quo arrangements, etc. Given such observations in the Forensic Audit Report, it was imperative for the concerned personnel to have disclosed the said Report in the Agenda of the Business Committee at the very first instance.

iii. Whether non-disclosure of PFS of material information is in violation of any provision(s) of the Companies Act (Please refer Section 448 of the Companies Act)?

18.3 From the facts discernible from the documents furnished to us, it appears that there was no justifiable reason for not having disclosed the Forensic Audit Report, which contained material and relevant information with regard to the mis-utilisation and diversion of funds and other illegal/authorised activities in the accounts of the borrower [redacted], in so far as the Bridge Loan amount of Rs.125 Crore was concerned. In this view of the matter, there appears to be a *prima facie* case of violation of the provisions of Companies Act, 2013, which on being proved in accordance with law, would make the person found guilty becoming liable for punishment under Section 448 of the Companies Act, 2013.

iv. Whether PFS should have acted on the recommendation in the Forensic Audit Report?

18.4 The Forensic Audit Report, recommended *inter alia* as under:

a. PFS may also examine the pros and cons of changing the resolution professional in view of his not providing the information asked for by us for the forensic audit.

18.4.1A Resolution Professional can be replaced by the Committee of Creditors under Section 27 of IBC by a vote of not less than 66%. IBC does not directly permit or provide for a change of the Resolution Professional on an application of any other person or persons. In any event, non – furnishing of information, and that too to a third-party forensic auditor, may not be a ground for replacement of a resolution professional, whose duties and responsibilities are as provided under IBC and do not, to my mind, include providing information to third party forensic auditors. However, the Querist could have filed, and if it deems appropriate, can perhaps still consider moving an application under Section 60 (5) of IBC seeking disclosure and production of various documents by the Resolution Professional with regard to the Bridge Loan granted by PFS to [redacted].

b. In view of the recalcitrant attitude of the company in providing information, PFS may also consider by enforcing the forensic procedures on the company through intervention of NCLT

18.4.2 Please refer to my answer to (iv)a. above, since [redacted] is currently undergoing the corporate insolvency resolution process under IBC.

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c. *The transactions between [redacted] and [redacted] need to be examined under the provisions of IBC code under:*
i. Preferential transactions under section 43;
ii. Undervalued transactions under section 45;

18.4.3 Applications for preferential transactions under Section 43 of IBC read with Section 44 of IBC can only be filed by the Resolution Professional/Liquidator. Given that in the present case, for the time being, PFS is not even being treated as a financial creditor, and is, therefore, not a part of the Committee of Creditors, its rights under the IBC would be very limited. Therefore, PFS would not be able to maintain an application under Section 47 of IBC (in respect of undervalued transactions, if any, under Section 45 of IBC) as a creditor. PFS would have to await the decision of the Hon'ble Supreme Court in the pending matter mentioned above.

v. *Whether after receipt of the Forensic Audit Report, PFS was under an obligation to report to RBI as per Circular?*

18.5 In my view, Reporting would be required to RBI in terms of Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016.

In any event, all disclosures and filings statutorily required by PFS had and have to be done within the time prescribed as per the relevant statutes, rules, regulations, circulars and directions. Non-disclosure and/or non-reporting by the concerned personnel of PFS, in the facts of the present case, especially where the funds continue to be outstanding and the borrower, [redacted], has gone into resolution / insolvency process, and that too by exercising the provisions of Section 10 IBC, has to be viewed by PFS suspiciously.

Yours Sincerely,

[redacted]
SENIOR ADVOCATE

Index of Exhibits for [redacted] with all the relevant supporting:

Sr.No.	Particulars	Exhibit No.	Page No.
1.	Extract of 29^{th} internal meeting of Asset Liability Committee (ALCO)held on 30^{th} March 2022	IIA	137

Exhibit-IIA- Extract of 29th internal meeting of Asset Liability Committee (ALCO)held on 30th March 2022.

Item No. 29.1 Scheduled disbursements for March 2022

VP (Finance) briefed to Committee that all major liability obligation for month of March 2022 has been repaid on or before time including Infra Bond due payments by use of stock of HQLA FDR amounting to Rs 270 Cr as per discussions held during 28th Internal ALCO. As on March 30, 2022, PFS has stock of HQLAs in the form of fixed deposits with Scheduled Commercial Banks amounting to Rs 413.98 Cr.

Further Committee was also updated that due communication about the appointment of 4 IDs (as communicated to SEs) vide email dated March 30, 2022 (Copy of the such emails are attached at Annexure) has been sent to respective lenders for their review and submission to respective HOs. As per lenders the same will be duly considered at respective HOs but due to FY end, the same may take time and immediate disbursement will not be possible by 31st March 2022

VP (Finance) also updated that

1. Disbursement team has also confirmed about the disbursement in pipeline of Rs 250 Crore to [redacted] Limited on March 31, 2022.
2. Indicative liability payment for month of April 2022 stands at approx Rs 155 cr including prepayment of entire ECB loan to IFC.

CRO mentioned that that instant proposal of disbursement amounting to Rs 250 crores is an unscheduled drawl on the committed but unused credit facilities that PFS has sanctioned to [redacted]n this regard CRO referred to the point e (vi) of Annex 8 of Liquidity Risk Management Framework dated 4th November 2019 of Reserve Bank of India.

Monitoring also mentioned about that approx. Rs 740 Cr is expected as prepayment from projects in first week of April 2022 from 5 projects. [redacted]

VP (F&A) mentioned that to recheck the PFS ALM Policy about the usage of HQLA to meet disbursement on which CRO mentioned that there is no mentioning of any limitation regarding the use of stock of HQLAs as per the PFS ALM Policy. CRO's mentioned that his opinion on the matter is based on point e (vi) of Annex 8 of Liquidity Risk Management Framework dated 4th November 2019 of Reserve Bank of India. ALCO Committee members accepted the views of CRO. .

Based on explanation and fund requirement to meet disbursement of Rs 250 Cr, the committee is of the view that in the given circumstances, Company is required to meet its sanctioned commitments from available resources i.e. currently from the use of stock of HQLA maintained in the form of FDR wherein the said HQLA requirement is calculated basis pending payment obligations and budgeted disbursements for month of March 2022. ALCO Committee mentioned that replenishment of stock of HQLAs is required to be made from the projected prepayments which scheduled during the first week of April'2022. It was also viewed by the committee that any regulatory requirement with respect to the use of stock of HQLA, if any, has to be complied with.

The same was noted by Committee members.

The meeting concluded with a vote of thanks to the Chair at 7:50 PM.

Index of Exhibits for [redacted] with all the relevant supporting:

Sr.No.	Particulars	Exhibit No.	Page No.
1.	Email dated 12th February 2022 from [redacted] to [redacted] in case of [redacted]	IIIA	140
2.	Email dated 10th March 2022 from [redacted] to M[redacted] in case of [redacted]	IIIB	141
3.	Reply to Email dated 10th March 2022 from [redacted] in case of [redacted]	IIIC	142
4.	Email dated 11th May 2022 from RBI to PFS in respect of certain queries relating to [redacted]	IIID	142
5.	Reply of above email dated 11th May 2022 from PFS to RBI in Case of [redacted]	IIIE	142
6.	Email dated 20th September 2022 from PFS to RBI in case of [redacted]	IIIF	143
7.	Memorandum for Opinion by [redacted] dated 15th February 2022 in case of [redacted]	IIIG	144
8.	Internal Audit Report for Quarter-4 of Financial Year20-21 in case of [redacted]	IIIH	145
9.	Internal audit Report for Quarter-3 of Financial Year21-22 in case of [redacted]	IIII	145

Exhibit-IIIA - Email dated 12th February 2022 from [redacted] to [redacted] (Sequence of Event) in case of [redacted]

Sequence of Events of [redacted]

S. No.	Chain of Event	Date of Event
1.	Letter of Award by NHAI	4th Oct, 2017
2.	Concession Agreement with NHAI	16th Nov, 2017
3.	RBL Sanction Letter	17th Jan, 2018
4.	Initial Loan Agreement with RBL Bank	13th April, 2018
5.	[redacted] Down selling to [redacted] an[redacted] by execution of Amendment Agreement	5th Feb, 2019
6.	Borrower request letter to PFS for sanction of Loan	6th March, 2020
7.	Proposal for sanction to PFS Board in 129th Board Meeting – *Deferred*	29th Oct, 2020
8.	Proposal for sanction to PFS Board in 130th Board Meeting -	19th Dec, 2020
9.	NHAI extension of SCOD under Covid-19	24th Dec, 2020
10.	PFS sanction Letter to Borrower	31st Dec, 2020
11.	Receipt of [redacted] approval for SCOD extension to June,21	12th Feb, 2021
12.	Amendment to Facility Agreement – *for induction of PFS to consortium*	4th March, 2021
13.	First Disbursement by PFS	11th March, 2021
14.	Borrower request for further extension of SCOD	27th July, 21
15.	Consortium meeting Minutes held on 26th July, 21 related to SCOD extension	4th Aug, 21
16.	PFS agenda to Board for further extension of SCOD	29th Sep, 21
17.	PFS amended sanction terms for extension of SCOD to Dec, 21	3rd Nov, 21

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Exhibit-IIIB- Email dated 10th March 2022 from [redacted] to [redacted] in Case of [redacted]

[redacted]
Subject: Information Required - PTC India Financial Services Limited
Importance: High

Dear Sir,

[illegible] Board had instructed that outcome of [illegible] Board members. [illegible] and November 9, 2021. [illegible]

If such [illegible]

The information is required to [illegible]

सादर / With Regards,

[redacted]
पर्यवेक्षण विभाग / Department of Supervision
नई दिल्ली क्षेत्रीय कार्यालय / New Delhi Regional Office
भारतीय रिज़र्व बैंक / Reserve Bank of India
नई दिल्ली / New Delhi – 110001

Exhibit-IIIC- Reply to Email dated 10th March 2022 from [redacted] to RBI in case of [redacted]

Dear Sir

Please find the company's reply in the table given below:

whether the company had carried out the analysis of difference in terms approved by the Board and terms communicated to the Borrower	Yes, In relation to [redacted] the analysis of difference in terms approved by the Board and terms captured in Loan Agreement along with legal counsel reports. The matter was also examined by statutory and internal auditor now, their reports shall be placed the next Audit Committee / Board meeting. Detailed action taken report shall be placed to the next Board Meeting.
It was observed that the Board had instructed that outcome of such an exercise was to be presented to Board members by October 31, 2021. Such an exercise, however, was not carried out by that date or shared with Board members. It was also observed that there was no agenda related to the same in Board meetings dated November 8, 2021 and November 9, 2021. It was also observed that there was no Agenda relating to the same, was proposed to be presented in the Board meeting which was scheduled for January 2022.	Yes, It was not placed in the previous Board Meetings, because the minutes of 140th Board Meeting was finalized post required date (i.e.- 31st Oct,2021). Action Taken Report Agenda in this regard shall be placed in next Board Meeting.
If such as exercise was carried out, share the details and number of cases in which this happened. Also confirm whether the outcome of same was presented to the Board (in case the above observations are factually incorrect).	Yes, the cases related to Third quarter, 2022 has been externally vetted by third party independent counsel confirming terms of sanction letters were captured in Loan Agreement. In addition to above, PFS management has selected a KMP to issue compliance certificate in this regard.

MUMBAI
Chartered Accountants

Exhibit-IIIID - Email dated 11th May 2022 from RBI to PFS in respect of certain queries relating to [redacted]

[redacted]

Subject: [illegible]

Sir

You are advised to give answers of the following queries:

1.Was there were changes in Board approved sanction terms and conditions by the Management in respect of [illegible] project loan without informing the Board?

2. Whether there was a system of placing the deviations from Board approved conditions before the Board?

सादर /Thanks& Regards,

[redacted]

[illegible] / Department of Supervision(NBFCs Section)
[illegible] / Reserve Bank of India
नई दिल्ली / New Delhi - 110001

Exhibit-IIIE - Reply of above email dated 11th May 2022 from [redacted] case of [redacted]

[redacted]

1. [illegible]

   Reply: [redacted] [illegible]

2. [illegible]

   Reply: [illegible]

Regards

[redacted]

CNK & ASSOCIATES LLP MUMBAI Chartered Accountants

Exhibit-IIIF- Email dated 20th September 2022 from PFS to RBI in case of [redacted]

FW: [redacted]

[redacted] ...@INDPRD01.PROD.OUTLOOK.COM>

[redacted]

Opinion Signed on Patel.pdf

Sir

[illegible]

Regards

[illegible]

[illegible]

Sir

[illegible]

[illegible]

[illegible]	[illegible]
[illegible]	[illegible]

[illegible]

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Exhibit-IIIG - Memorandum for Opinion by L&L Partners New Delhi dated 15th February 2022 in case of [redacted]

3. **Analysis And Responses**

3.1 At the outset it is apposite to refer to condition pertaining to the extension of the commission of the Project as per the Sanction Letter and the Facility Agreement.

Pre-disbursement condition in the Sanction Letter	Pre-disbursement condition in the Facility Agreement
The Borrower shall have received extension of timelines approval from NHAI related to project milestone which should result in the extension in commission of the Project on or before July 31, 2021	*"14.19 Extension of Timelines Approval"* *The Borrower shall have received, on or prior to July 31, 2021, the extension of timeline approval from the Concessioning Authority in relation to the Project milestones thereby resulting in extension in the date of commissioning of the Project."*

3.2 We understand from the facts presented to us that the intention of the above clause in the Sanction Letter was that the Borrower shall receive the extension in the commissioning of the Project from NHAI on or before July 31, 2021. The intention of the Sanction Letter's condition has been captured in the Clause 14.19 of the Facility Agreement, which provides that the Borrower shall have received on or before July 31, 2021 the extension in the date of commissioning of the Project from the Concessioning Authority i.e. NHAI.

Page 2 of 4

3.3 In view of the foregoing, it may be concluded that the condition pertaining to extension for commissioning of the Project as stipulated in the Sanction Letter has been appropriately captured in the Facility Agreement.

The Query has been answered accordingly.

Exhibit-IIIH - Internal Audit Report for Quarter-4 of Financial Year20-21 in case of [redacted]

4. Maker checker control around pre-sanction loan documentation needs to be strengthened

On review of the documents for 16 loan accounts, following anomalies were noted in 2 loan accounts:

i. Upon review of data associated with the proposed term loan to '[redacted] Risk team categorized the account as 'High Risk'. However, appraisal team took approval from the MD on appraisal note and risk report by mentioning it as a 'Moderate risk'.

ii. Board has approved loan of INR 160 Cr. [redacted] of sanction letter, it was mentioned as INR 150 Cr. (Correct amount i.e., INR 160 Cr. is given in detail of the sanction letter)

Risk(s)

- Presentation of incorrect facts to senior management may lead to unwarranted approval.
- Incorrect approval in sanction letter may arise dispute with borrower.

Recommendation

- Correct information and facts should be presented to senior management for approval.
- Maker checker controls needs to be further strengthened while executing the sanction letter.

Management Comments

- Refer next slide

Responsibility: Appraisal Team [redacted] **Target Completion Date:** Ongoing

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Exhibit-IIII- Internal audit Report for Quarter-3 of Financial Year21-22 in case of [redacted]

Miscellaneous Observations (2/3)

#	Observations
3.	'Pre-disbursement condition' of [redacted] was presented as 'Conditions related to timeline extension' in the agenda note (Comments of Risk Group Section) of 142nd Board Meeting dated 29th September'21: *Condition: The borrower shall have received, as or prior to 31st July 2021, the extension of timeline approval from the concessioning authority in relation to project milestone thereby resulting in extension in the date of commissioning of the project.* Further, as against the requirement of the Board to submit report on the reasons for above modifications (without approval) by 31st October'21, no report was submitted as on the date of the audit, i.e. 20th Feb'22.

Management response

The observation of internal auditor is referring to the 'Risk Report' issued by CRO, which has been termed as "Comments of Risk Group". The extract of the risk report is as below:

Pre-disbursement condition approved by Board	Revised condition reported to Board
Pre-disbursement condition	Condition related to timeline extension
Borrower should have received extension of timeline (EOT) approval from NHAI related to project milestone which should result in extension in commission of the project on or before 31st July 2021	The borrower shall have received, on or prior to 31st July 2021, the extension of timeline approval from the concessioning authority in relation to project milestone thereby resulting in extension in the date of commissioning of the project.

In this regard, the matter was examined, and the condition was captured only as Pre Disbursement Condition in the amendment Loan Agreement dated 4th March 2021, which was also confirmed by Legal counsel Luthra and Luthra. The detailed Report in this matter shall be placed in the next Board Meeting.

Responsibility: Appraisal/ Legal
Timelines: Q1 FY 23

CNK & ASSOCIATES MUMBAI

Index of Exhibits for [redacted] with all the relevant supporting:

Sr.No.	Particulars	Exhibit No.	Page No.
1.	RBI Risk Assessment Report (RAR) for financial year ending 31st March2020 in case of [redacted]	IVA	147
2.	Forensic Audit Report of issued by [redacted] Chartered Accountants in case of [redacted]	IVB	148

Exhibit-IVA-RAR report for Financial Year ending 31st March 2020 in case of [redacted]

4.5.2 Frauds – During the year, two frauds were reported in respect of [redacted] amounting to ₹100 Crore on May 15, 2019 & [redacted], amounting to ₹35.44 crore on August 29, 2019. Another fraud amounting to ₹50 crore in reference to [redacted] reported on September 8, 2020.

(Amount in ₹ crore)

Sl. No.	Name of the Borrower	Case details	Amount involved	Provision held	Date of first reporting
1	[redacted]	Duplicate share certificate provided by the company. The fresh case filed on the basis of forensic audit report for ₹105.61 crore	50.00 105.61	32.74 49.21	September 02, 2016 September 08, 2020
2	[redacted]	Misrepresentation by the company in terms of equity contribution and diversion of funds. The entire amount had been written off as on March 31, 2020	100.00	76.73 & impairment reserve 23.27	May 15, 2019
3	[redacted]	The company was ordered to go into liquidation by NCLT pursuant to an application filed by an operational creditor. The company had already written off the entire principal amount of ₹95.44 crore.	131.37	95.44	August 29, 2019

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The fraud relating to [redacted] was closed after receipt of letter DBS.CO.OFMC.No.4545/23.14.021/2017-18 dated February 21, 2018 from RBI, advising the company that the case reported can be considered as a case of attempted fraud in terms of Master Directions on Frauds pertaining to NBFCs. The company reported fresh fraud against the [redacted]. Ltd on the basis of forensic audit for ₹105.61crore consisting of ₹0.50 crore Principal and ₹0.56 crore as interest and LD charges.The fraud in

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Exhibit-IVB- Forensic Audit Report of issued by [redacted] in case of [redacted]

FORENSIC AUDIT

[redacted]

6. Executive Summary

[illegible]	[illegible]	[illegible]	[illegible]
1.	**Impairment of Capital Work in Progress:** It has been observed that capital expenditure inclusive of the pre-operative expenses incurred by the company have been written off as on 31st March 2017. Refer Appendix [illegible] for details. Total of Rs. 256 Cr was charged to General Reserves by way of impairment & write offs.	As per the Valuation Report of the assets of the company dated 14 July 2017 done by [illegible] (Chartered Engineer & Valuer) the valuation of Building, Structure & civil works was calculated Rs. 33.[illegible] Cr & Plant & Machinery Rs. 94.[illegible] Cr totalling Rs. 127.[illegible] Cr. Refer Appendix [illegible] for Valuation Report. The management has informed us that based on the valuation report they did the impairment of the capital assets of the company.	HIGH RISK
2.	**Qualified Auditors Opinion:** As per the audited balance sheets reviewed by us of FY2017-18 & FY 2016-17, provision for interest on term loans and CCDs has not been accounted for. Also material weaknesses have been identified in the internal control over financial reporting in respect of recoverability of outstanding accounts. The impairment of assets have been transferred to general reserve in the absence of Profit & loss statement. Qualified Opinion Given by Auditor has been enclosed in Appendix [illegible].	The non-provision of interest on loans would result in [illegible] margins and earnings for serviceability of loans provided by the Banks and [illegible] lenders.	LOW RISK
3.	**Provision for Non-Recoverable Capital Advances:** A provision for non-recoverable capital advances has been accounted in the FY 2016-17 which indicates that the loans and advances have been completely written off. The list of the same has been given below	The details for the write off of advances provided for materials and services including [illegible] like [illegible] which is intriguing. Details of the terms of agreement under which advances were provided and reasons for being classified as non-recoverable needs further	HIGH RISK

(Amount in Crs.)

Particulars	Impairment	Write offs
Capital Expenditure	94.73	-
Pre-operative & Operative expenditure	-	130.18
Capital Advance to Contractors	-	21.23
Advance for Share Application	-	0.97
Sub Total	94.73	151.83
Total	255.[illegible]	

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FORENSIC AUDIT

[redacted]

CHARTERED ACCOUNTANTS

Particulars	Amount (in lacs)	Nature of Advance
[illegible] - Advances	0.39	Share application
[illegible] Pvt Ltd - Advances	494.[illegible]	Share application
[illegible] Mercantile Pvt. Ltd - Advances	550.00	Share application
[illegible]	10.20	Loans & advances
[illegible] Pvt. Ltd. - Advances	13.[illegible]	Share application
[illegible]	1.[illegible]	Loans & advances
[illegible] Corporation	[illegible].70	Sundry creditors for [illegible]
[illegible] Trade Link Pvt Ltd	57.[illegible]	Sundry creditors
[illegible] Pvt Ltd	57.67	Sundry creditors
[illegible] Pvt Ltd	20.15	Sundry creditors
[illegible] Heavy Electricals Ltd	7[illegible]	For Work Contract
[illegible] System Pvt. Ltd	33[illegible]	For Work Contract
Sri [illegible]	[illegible]	Sundry creditors for [illegible]
[illegible] Infra Projects Ltd	132.[illegible]	For Work Contract
[illegible] System Pvt Ltd - Supply A/c	[illegible].45	For Work Contract
Total	[illegible].75	

investigation of [illegible] [illegible] in the [illegible] [illegible]

[illegible] supporting documents.

4. [illegible] of capital by the promoters

[illegible]

Term Loan	244 crores
Promoters Contribution	[illegible] crores
Total Cost of Project	[illegible] crores

The [illegible] [illegible] of the project [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] in terms of capital [illegible]

The [illegible] [illegible] with [illegible] Bank.

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[redacted]

Promoters Contribution (Rs. In Crores)

Particulars	Rs. Cr
Share Capital	8.57
Share Premium	75.43
Total Capital Infusion	84.00
Shortfall	20.00

... together with the capital expenditure being written off to a ... written off.

Also Advances for share application of Rs. 34.50 Cr given to various parties and the same was then invested back into company by way of share application money. In F.Y 16-17, Share Application pending allotments of Rs. 34.50 Cr is written off by passing journal entry with advance given for share application money.

5. **Non-Allotment of Share Application Money & Subsequently write off / Reversed by passing Journal Entry**

The share application money has not been allotted to the shareholders

Financial Year	Particulars	Amount (in lacs)
2013-14	[redacted]	192.5
2013-14	[redacted]	445.4
2013-14	[redacted]	235
2013-14	[redacted]	73
2013-14	[redacted]	1204.[illegible]
2013-14	[redacted]	110.4
2013-14	[redacted]	24
2013-14	[redacted] Pvt Ltd	384.[illegible]
2014-15	[redacted] Private Limited	23.05
2014-15	[redacted]	423.5

The company has not allotted securities within 60 days from the date of application and also has not repaid the application money to the subscribers within 15 days from the expiry of sixty days.

The subsequent write off of Share Application money & by passing a journal entry with Loans & Advance given for share application money is indicative of misleading representation of equity infusion.

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[redacted]
CHARTERED ACCOUNTANTS

	[illegible] Pvt Ltd	
2014-15	[redacted]	[illegible]
2014-15	[redacted]	446.5
2014-15	[redacted]	12.4
2014-15	[redacted]	74
2014-15	[redacted]	[illegible]
2015-16	[redacted]	23.55
2015-16	[redacted]	52
2015-16	[redacted]	444
2015-16	[redacted]	215.77
2015-16	[redacted]	[illegible]
2015-16	[redacted]	[illegible]
2015-16	[redacted]	10.4
2015-16	[redacted]	74
2015-16	[redacted]	336.8

E. **Related Party transactions:**

Following are the related party transactions entered by [illegible] during the year

Financial Year	Purchases/ Particulars	Amount (in lacs)

The Company has multiple transactions with related parties including [illegible] transactions [illegible].

Most of the related party transactions [illegible] and Advances [illegible] subsequently [illegible].

HIGH RISK

[illegible]

FORENSIC AUDIT

[redacted]

2013-14	[redacted]	278.67	[illegible] directors [illegible] evaluating the [illegible]
2014-15	[redacted]	82.[illegible]	There is a possibility of Advances being provided to related parties [illegible]

Outstanding for advance given for land

Financial Year	Particulars	Amount(in lacs)
From 2011-12 to 2017-18	[redacted]	[illegible]

Share Application Money

Advances given :

2013-14	[redacted]	18.6
2015-16	[redacted]	1024.78
2015-16	[redacted]	836.6
2013-14	[redacted]	214.51
2013-14	[redacted]	1349.72
2013-14	[redacted]	5.5
2013-14	[redacted]	325.36
2013-14	[redacted]	600
2014-15	[redacted]	[illegible]
2014-15	[redacted]	123.13
2014-15	[redacted]	1180.1
2014-15	[redacted]	214.67
2014-15	[redacted]	1349.73
2014-15	[redacted]	16.8
2014-15	[redacted]	285.96

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[redacted]

[illegible]	[redacted]	[illegible]
[illegible]	[redacted]	[illegible]
[illegible]	[redacted]	[illegible]
[illegible]	[redacted]	583.6
[illegible]	[redacted]	[illegible]
[illegible]	[redacted]	[illegible]
[illegible]	[redacted]	[illegible]
[illegible]	[redacted]	552.46
[illegible]	[redacted]	600

[illegible]

A) [illegible]

B) [illegible]

C) [illegible]

[illegible]

[illegible]

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[illegible]

[illegible] only introduced Rs. [illegible] cr as capital against of Rs. 105 Cr.

9. [illegible]

[illegible]

Particulars	Amount (in Cr.)
Term Loan from Consortium	[illegible]
Redeemable pref. share @ 0.01 % (20 years)	178
Total	[illegible]

[illegible] by way of Rs. 113 cr as term loan from Consortium of bank and Rs. 172 cr as Redeemable pref. share @ 0.01 % (30 years) [illegible]

10. [illegible]

Refer Appendix 19

11. [illegible]

[illegible]

[illegible] (Amount in Cr.)

Source of Fund	Amt	Amt	Application of Fund	Amt	Amt
[illegible]		244	Capital WIP		128
[illegible]			Cash & Bank		[illegible]
Share Capital	4.51		[illegible]		[illegible]
Share Premium	[illegible]	[illegible]	Advance for Land		[illegible]
[illegible]		[illegible]	[illegible]		
Creditors – Govt Liabilities		[illegible]	Impairment – Capital [illegible]	[illegible]	

The assets have been [illegible]

[illegible] Accounting Standards.

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[redacted]

			Impairment / [illegible]	128.1	
			W/off Capital Advance to Contractors	21.82	
			W off of Advance for State Association	8.97	256
Total		352	Total		358

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[redacted]

7. Conclusion (1/3)

We have conducted the forensic audit of [redacted] on the limited information that could be provided by the Banks and available information in the Public Domain, from the management and the Resolution/Insolvency Professional. The observations can be summarised as under:

1. The Company has not infused the required equity as required by the loan agreements in order to bring the project to an operating level. The multiple transactions of equity infusion through Share Application with subsequent write off tantamount to reduction of capital which is bad in law and lacking in prudent accounting policies and procedures.
2. Capital Expenditures have been written off leading to lack of asset creation which is lacking in acceptable accounting procedures. Impairment of Capital Assets at the project implementation stage is indicative of serious flaws regarding decisions of capital assets which are of high importance, given the business acumen of the group and experience in multiple businesses.
3. Multiple related party transactions have been identified that indicate funds being utilised to infuse equity through a web of transactions.
4. Several advances for materials and services have been recorded as non-recoverable which have not been supported by any documentation for efforts to recover the same. The existence of vendor names like [illegible] raise doubts about the authenticity of these accounting entries.
5. Land to be acquired as per the project plan has been substituted with lesser area from a related party with no reduction in project cost requirements or subsequent [illegible] of approval from the term lenders.

The above said observations were communicated to borrower for their reply and comments, if they want to offer, if any. The borrower company replied and explained the following and we hereby summarise their replies with our comments on the said response which may be taken on record.

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[redacted]

5. Conclusion (2/3)

Management Response and Auditors comment

Management Response to Point 1 of Executive summary

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FORENSIC AUDIT [illegible]

[redacted]

[illegible]

Management Response to Point 3 of Executive summary

- *Note on Provision for non recoverable capital advance :*

1 Certain advances were given to Contractors and suppliers against their supply of material and services as mobilization advance

2. With regard to advance to Tecpro we would like to state that [illegible]

3 Further as Tecpro [illegible]

4 Regarding BHEL [illegible] [redacted] [illegible]

5 Provision against advances to suppliers of capital goods and services [illegible]

- [illegible]

[illegible] 038

[illegible]

FORENSIC AUDIT [illegible]

[redacted]
[illegible]

Management Response to Point [illegible] of Executive summary

- **Note on promoters equity, share application money, advance to group company, inter head adjustments, Related Party Transaction and [illegible]**

1. Total Project cost of the project was [illegible] Rs. [illegible] crore [illegible] promoters equity was Rs. [illegible] crore and [illegible] loan was Rs. [illegible] crore. Ratio of Promoters equity and [illegible] debt was [illegible]

2. [illegible] as per CA certificate dated [illegible] promoters equity brought in form of Equity Share Capital, Security Premium, Share Application Money and Unsecured loan was Rs. [illegible] crore and term loan was Rs. [illegible] crore. Ratio [illegible]

3. This is to be noted that bank has not disbursed full amount [illegible] and at no point of time our share in the project fell below the specified ratio in the sanction [illegible].

4. [illegible]

5. [illegible] [redacted] [illegible]

6. It can also be seen that [illegible] Rs. [illegible]

- [illegible]
- [illegible]
- [illegible]
- The management explained that:

a) [illegible]

b) [illegible]

c) [illegible]

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FORENSIC AUDIT

[redacted]

[illegible] [redacted] [illegible] [redacted] [illegible]

7 [illegible] [redacted] [illegible]

8 [illegible] [redacted] [illegible] [redacted] [illegible]

[illegible]

Summary

The consortium of Bank lead by [redacted] have sanctioned and disbursed loans since 2010-11 and project was expected to be commissioned by 31.3.2015. However, the project was not initiated even in early 2017.

The borrower company spent money and made investment as on 31.3.2017 as under:

(Amount in Crores)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
I	Capital Work in Progress			
1	Plant & Machinery	155.34	105.48	
2	Building & Civil Works	[illegible]		
3	Site Development	[illegible]		
4	Other Assets	23.09		
	Sub Total I	233.13	105.48	127.85
II	[illegible]	[illegible]	118.84	-

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FORENSIC AUDIT [redacted]
Project [illegible] CHARTERED ACCOUNTANTS

	Expenses (including interest & other financial expenses of Rs 105.07 cr)				
	Sub Total II	118.84	118.84		-
III	Capital Advances	25.43	21.91 (written off)		3.52
	Sub Total III	25.43	21.91		3.52
IV	Share Capital Advance	9.67	9.67 (written off)		-
	Sub Total IV	9.67	9.67		-
	Total (I+II+III+IV)	387.27	255.9		131.37

In other words, the money claimed was spent on above items (subject to discrepancies as pointed out) and due to impairment, the company is left with assets of cwip of Rs 128 crores as against borrowing of Rs 248 crores from banks, Rs 50 crores from [redacted] and Rs 84.97 crores inducted as capital. The difference of Rs 179.45 crores between residual [redacted] and liabilities represents Loss by debit balance of General reserves account in Financial Statement

9. Conclusion (3/3)
Report including red flags under certain sections of IBC, 2016

[illegible]	[illegible]	[illegible]	[illegible]
Section 43	Preferential Transactions	Analysis of nature of related party transactions and their impact on financial statements. Verification whether payments/receipts have been done in accordance with the transactions. Investigation of preferential transactions between entities that have taken place are: • In case of related parties – two years prior to the date of insolvency • In any other case – one year prior to date of insolvency. Authenticity of the claims made by related party creditors. Genuineness of the nature of funds/loans given/received from parties.	During the course of Audit, no preferential transactions has been noticed by us other than issuance of CCD to IFCI and treatment of funds so received.
Section 45	Undervalued Transactions	Evaluation of transactions that have occurred which are significantly less than the value of consideration. Review of transfer pricing orders and their quantification. Benchmarking such transactions carried out by the company with peer companies to comment on whether they were carried out at arm's length.	During the course of Audit no such transactions have been noticed by us except indirect inference from the impairment of WIP and capital expenses which was done on the basis of certified valuer's report.
Section 49	Transactions Defrauding Creditors	Whether corporate debtor has entered into an undervalued transaction. Improper benefit to few creditors leading to inequality between them and the generality of creditors.	During the course of Audit, no such transactions have been noticed by us except related party transactions which in our opinion was not with a view to defraud creditors.
Section 50	Extortionate Credit Transactions	Ascertaining the nature of receipts of any financial or operational debt during the period within two years preceding the insolvency commencement	During the course of our audit, we have observed that no fresh loans were received

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[redacted]
CHARTERED ACCOUNTANTS

		• Whether the parties who provided the loan are genuine parties or are in effect related parties.	date
Section 66	Fraudulent and wrongful Trading	• Observations of any apparent fraudulent activity by analysing the financial statements and other supporting documents. • Identification of areas where fraudulent transactions may have occurred • Analysing additional data based on the findings	During the course of Audit, no such transactions has been noticed by us except procedural lapses with regard to accounting principles, policies and practices and poor corporate governance as captured in our observations.

C N K & ASSOCIATES LLP
MUMBAI
Chartered Accountants

Index of Exhibits for [redacted] with all the relevant supporting:

Sr.No.	Particulars	Exhibit No.	Page No.
1.	Internal audit Report for Quarter-4 of Financial Year 2019-2020 in case of [redacted]	VA	164
2.	Internal audit Report for Quarter-4 of Financial Year 2020-2021 in case of [redacted]	VB	164
3.	Internal audit Report for Quarter-2 of Financial Year 2021-2022 in case of [redacted]	VC	165
4.	Audit Committee presentation by Statutory Auditors for September 2021 in case of [redacted]	VD	166
5.	Inspection Report of RBI for financial year ending 31st March 2021 in case of [redacted]	VE	167
6.	RBI Risk Assessment Report (RAR) (para 2.2.1.2& Annex-11) for financial year ending 31st March 2021 in case of [redacted]	VF	168

Exhibit-VA- Internal audit Report for Quarter-4 of Financial Year19-20 in case of [redacted]

2. Need to strengthen additional controls around monitoring of EWS accounts

Background

Disbursement policy was brought into effect in September 2015 specifying the disbursement procedures to be followed for normal disbursements. Thereafter, EWS framework was defined in year 2018 which lays down the procedure for timely monitoring early warning signals in order to prevent conversion of a performing loan account into a Non Performing asset.

Observation:-

On reviewing 9 accounts categorized as EWS accounts in quarter III for FY 2019-20, following shortcomings were noted:

- there is an absence of a defined procedure in existing process w.r.t. disbursements to be processed if an account has already been categorized under EWS category.
- In 3 out of 9 EWS accounts, disbursements were processed by following normal disbursements procedures. Further, it was noted that at the time of making such disbursements the accounts were overdue for payment. For details refer the following :

Borrower	Rating Issued	EWS Rating Date	Disbursement Date
[redacted]	[illegible] (High Risk)	30-Oct-19	24-Dec-19
[redacted]	OR7(High Risk)	28-Nov-19	29-Nov-19
[redacted]	OR7(High Risk)	31-Dec-19	31-Dec-19

Risk(s)

- May lead to more slippage of accounts to NPAs
- Further exposure to High risk accounts

Recommendation

- Existing frameworks & policies needs to be revisited w.r.t.
  a) elaborate checklists with reasoning/rationale of disbursement in such accounts
  b) opinion of COL/Risk team should be taken before making disbursement in EWS accounts

Management Comments

- Refer next slide

Responsibility Disbursement **Target Completion Date**

Exhibit-VB- Internal audit Report for Quarter-4 of Financial Year20-21 in case of [redacted]

10. Monitoring around LFA evaluation process and its reporting needs to be strengthened

Review of controls implemented around receiving and monitoring over LFA report, noted below mentioned anomalies:

I. **Substantial delay in receiving LFA report:** Noted an instance of [redacted] wherein LFA report pertaining to half year ended September'20 was not received by monitoring team till our review date i.e. 20th April'21. Resultant, any key non-compliance that could be reported by LFA did not came under consideration of the monitoring team on time.

II. **Need for periodic process of LFA performance evaluation:** Review of LFA report for [redacted] submitted for the period April'20 to September'20, noted below mentioned factual inaccuracy in observations submitted. However, there is no process implemented for quality assessment of LFA report.

#	LFA observation	Fact reviewed by [illegible] & PFS Team
1.	As per sanction letter, security cover of at least 1.5 times of the facility amount shall be always maintained. However, charge has been created over only 100 crores instead of 150 crores.	Actual security cover is more than 1.5 times
2.	Financial Covenants as on 31st March'20 TOL/TNW : [illegible] (Should not be more than 3:1)	Actual TOL/TNW is less than 1

Risk(s)

- Delay in receiving LFA report may lead to inadequate monitoring over financial performance of borrower.
- Inadequate monitoring over performance of LFA may lead to selection of incompetent LFA.

Recommendation

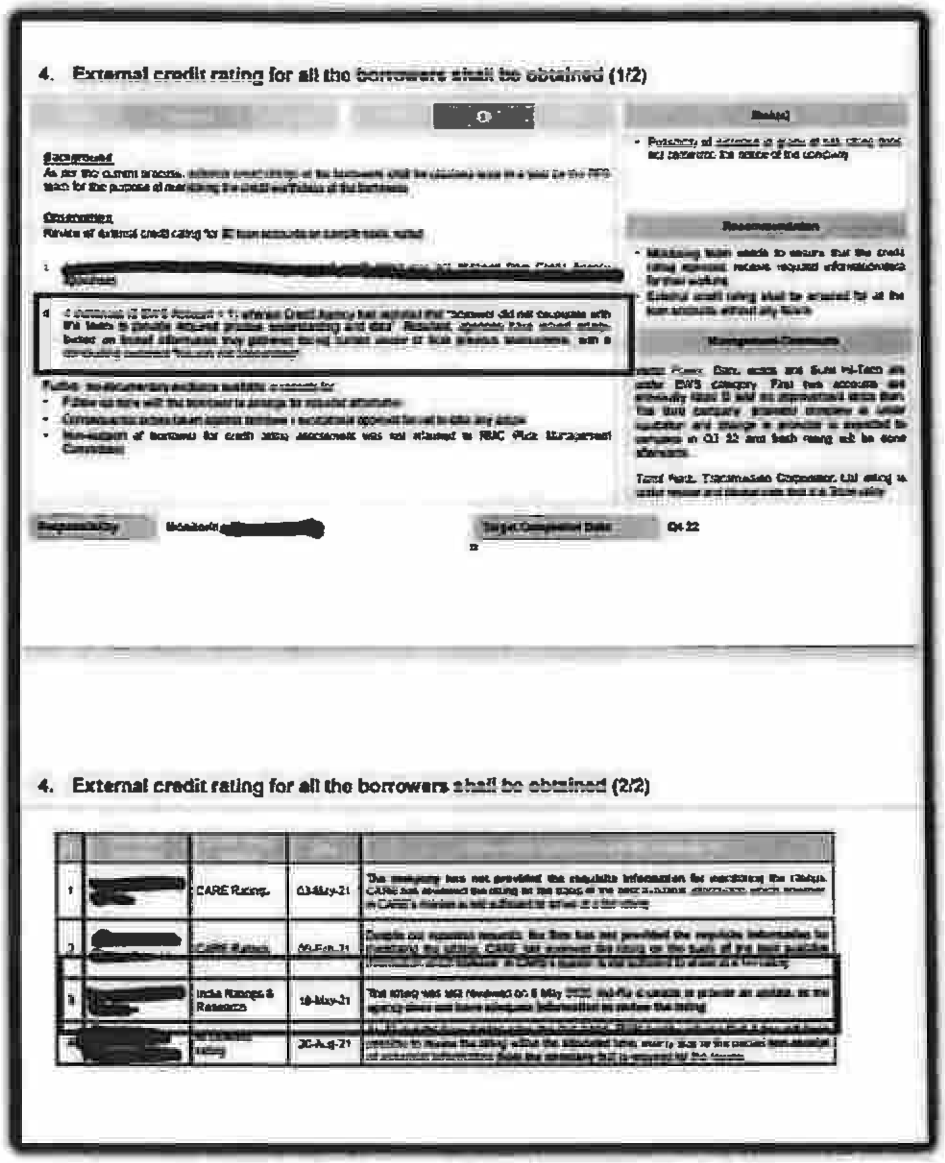
- Delay in receiving LFA report needs to be taken up with senior management of borrower & LFA on timely basis.
- Process around quality review of LFA report needs to be implemented

Management Comments

Refer next slide

Responsibility Monitoring Team [redacted] **Target Completion Date** I. December'21 II. NA

Exhibit-VC- Internal audit Report for Quarter-2 of Financial Year21-22 in case of [redacted]



4. External credit rating for all the borrowers shall be obtained (1/2)

[illegible]

Responsibility: [illegible] [redacted]

Target Completion Date: Q4 22

4. External credit rating for all the borrowers shall be obtained (2/2)

1	[redacted]	CARE Ratings	03-May-21	[illegible]
2	[redacted]	CARE Ratings	09-Feb-21	[illegible]
3	[redacted]	India Ratings & Research	18-May-21	[illegible]
4	[redacted]	[illegible]	20-Aug-21	[illegible]

Exhibit-VD- Audit Committee Presentation by Statutory Auditors for September 2021 in case of [redacted]

[redacted]

(Amount in INR crores, as at September 30, 2021)

Loan Amount	Provision	Impairment Reserve	Net amount	Secured Amount
317	17	47	253	303

- The project is fully operational with: Projected PLF: [redacted] 29%, [redacted]%; actual PLF: [redacted]
- The captioned account has become overdue for more than 90 days in the month of Dec 2020 upon non-payment of dues after end of Moratorium period because of pending dues from [redacted]
- [redacted] restrained the lenders from declaring [redacted] as NPA till the disposal of case with [redacted]
- The tariff renegotiation was with the [redacted] and as per the recent hearing on October 1, 2021, the [redacted] was directed to clear the outstanding amount for the first and second quarter of 2021.
- Valuation of security is the based on the bid of Rs 303 Crs received from H1 bidder on June 18, 2021 for sale to ARC. The external rating is 'D' as per credit rating agency and PD of 100% has been considered. The proposed sale to ARC for [redacted] exposure is under evaluation for accounting implications and currently on hold due to RBI circular dated September 24, 2021.
- According to RBI prudential norms, considering default in payments of dues, [redacted] falls under the substandard category as at September 30, 2021 and requires
  - 10% provision against total amount outstanding
  - Provision of cumulative interest accrued upto September 30, 2021

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[redacted]

Management's position

- The borrower has legal right to charge according to the contractual agreement. Basis precedence available in other states [redacted] wherein similar disputes were raised by respective [redacted] the matter got finally concluded in favour of renewable plants.
- The tariff issue with [redacted] is likely to be resolved in favour of Developers.
- PFS has received 2 financial bids/offers from ARCs and subsequently H1 bidder has been declared recently with bid value of Rs 303 Crores. On September 24, 2021, RBI has issued directions on transfer of loan exposure and PFS management is evaluating its impact. Thus, the current proposal of sale to ARC is on hold.
- 100% probability of default has been considered with Loss Given Default of 5.37% (economic loss and the costs of recovery).
- The excess of RBI provision over ECL provision has been posted to impairment reserve. The current provision is accurate from ECL perspective and RBI prudential norms.

Exhibit-VE- Inspection Report of RBI for Financial Year Ending 31st March 2021 in case of [redacted]

Annex 2: NPA Management

(Amount in ₹ crore)

I. Profile of Advances

Particulars	March 31, 2020				March 31, 2021			
	As per NBFC		As per SSM		As per NBFC		As per SSM	
	Amount	% to gross advances	Amount	% to gross advances	Amount	% to gross advances	Amount	% to gross advances
A. Standard (Stage 1 + Stage 2)	9,894.27	91.21%	9,894.27	91.21%	9,243.39	87.29%	9,243.39	87.29%
B. Impaired (i+ii+iii) (Stage 3)	953.25	8.79%	953.25	8.79%	1,346.38	12.71%	1,346.38	12.71%
(i) Sub-standard	149.53	1.38%	149.53	1.38%	511.22	4.83%	511.22	4.83%
(ii) Doubtful	803.72	7.41%	803.72	7.41%	835.16	7.89%	835.16	7.89%
(iii) Loss	0	0%	0	0%	0	0%	0	0%
Gross Advances (A+B)	10,847.52	100.00%	10,847.52	100.00%	10,589.77	100%	10,589.77	100%

Remark: Impaired asset figure is mentioned as ₹1346.38 crore but while calculating gross NPA amount the impaired asset i.e., Stage 3 assets have been calculated as ₹819.83 crore. The difference of ₹526.55 crore is on account of two loan accounts namely [redacted] (₹221.73 crore) and [redacted] (₹304.83 crore). These accounts have been parked in Stage 3 but not considered NPA due to NCLAT order and High Court Order respectively.

Exhibit-VF- RBI Risk Assessment Report (RAR) (para 2.2.1.2& Annex-11) for financial year ending 31st March 2021 in case of [redacted]

2.2.1.2	i) As per the Operation policy, a checklist of the required documents was required to be filed in the loan files. However, no such checklist was prepared and maintained in all loan files. Further, there was no indexing or numbering of pages in the loan files, which were in multiple volumes for each loan account. This translated to a deficient oversight as, in various instances, documents were not found in the loan files. ii)The company was not conducting site visits even on an annual basis. They were dependent upon LIE (Lenders Independent Engineer) reports of outsourced agencies. No report pertaining to conducting the site visit, was found in any of the cases sanctioned during the period under review.
	Page 7 of 11
	iii)The company had accepted photocopies as KYC documents while sanctioning of loan cases. In no case, the company officials had noted that the photocopies were verified with the original documents.

Annexure 11: List of Instances

Sr. No.	Para No of RAR / IR	Sample Size	Number of cases having deficiencies [(samples having deficiencies/total samples taken for a particular gap) as a percentage]	Major Examples and instances relating to Observations in the RAR / IR
1	Para 2.2.1.2 of RAR	17	100	(list of accounts below)

SN	Accounts
1.	[redacted]
2.	[redacted]
3.	[redacted]
4.	[redacted]
5.	[redacted]
6.	[redacted]
7.	[redacted]
8.	[redacted]
9.	[redacted]
10.	[redacted]
11.	[redacted]
12.	[redacted]
13.	[redacted]
14.	[redacted]
15.	[redacted]
16.	[redacted]
17.	[redacted]

Index of Exhibits for [redacted] with all the relevant supporting:

Sr.No.	Particulars	Exhibit No.	Page No.
1.	Internal audit Report for Quarter-2 of Financial Year19-20 in case of [redacted]	VIA	171
2.	Internal audit Report for Quarter-2 of Financial Year21-22 in case of [redacted]	VIB	172
3.	Audit Committee Presentation by Statutory Auditors for September 2021 in case of [redacted]	VIC	173
4.	RAR report (para 2.2.1.2& Annex-11) for Financial Year ending 31st March 2021 in case of [redacted]	VID	174

Exhibit-VIA-Internal audit Report for Quarter-2 of Financial Year19-20 in case of [redacted]

3. SMA-2 accounts reported to RBI was not approved

[illegible] ...Of... [illegible]

Background

As per Master Direction- Non-Banking Financial Company Returns (Reserve Bank) Directions, 2016 dated 29th September'16, for CRILC & SMA-2 Return (on early Recognition of Stress on large accounts):-
"The concerned NBFCs are required to report all the SMA-2 accounts on the Friday of the week when the relevant account first came in SMA-2 category. If Friday happens to be a holiday, they will report the same on the preceding working day of the week."

As per the current practice, a weekly reporting of SMA-2 accounts is being done by PFS duly approved by competent authority

Observation:-

On review of 14 SMA-2 returns filed during the period July'19 to Sep'19, an instance was noted wherein the company had reported a SMA-2 account [redacted] the Friday of the week, however the same was not duly approved by competent authority till the date of review 22-Sep-2019

For further details, refer the following table :-

Name of Borrower	Due date	SMA-2 Reported to RBI on [illegible]	Approval taken from competent authority [illegible]
[redacted]	01-Aug-19	01-Aug -19	×

[illegible]

- Unauthorized reporting

Recommendation

- All reporting to RBI should be duly approved by competent authority before filing

Management Comments

- Competent authority approval was taken subsequently.

Responsibility: RBI Compliances

Target Completion Date: Implemented

19

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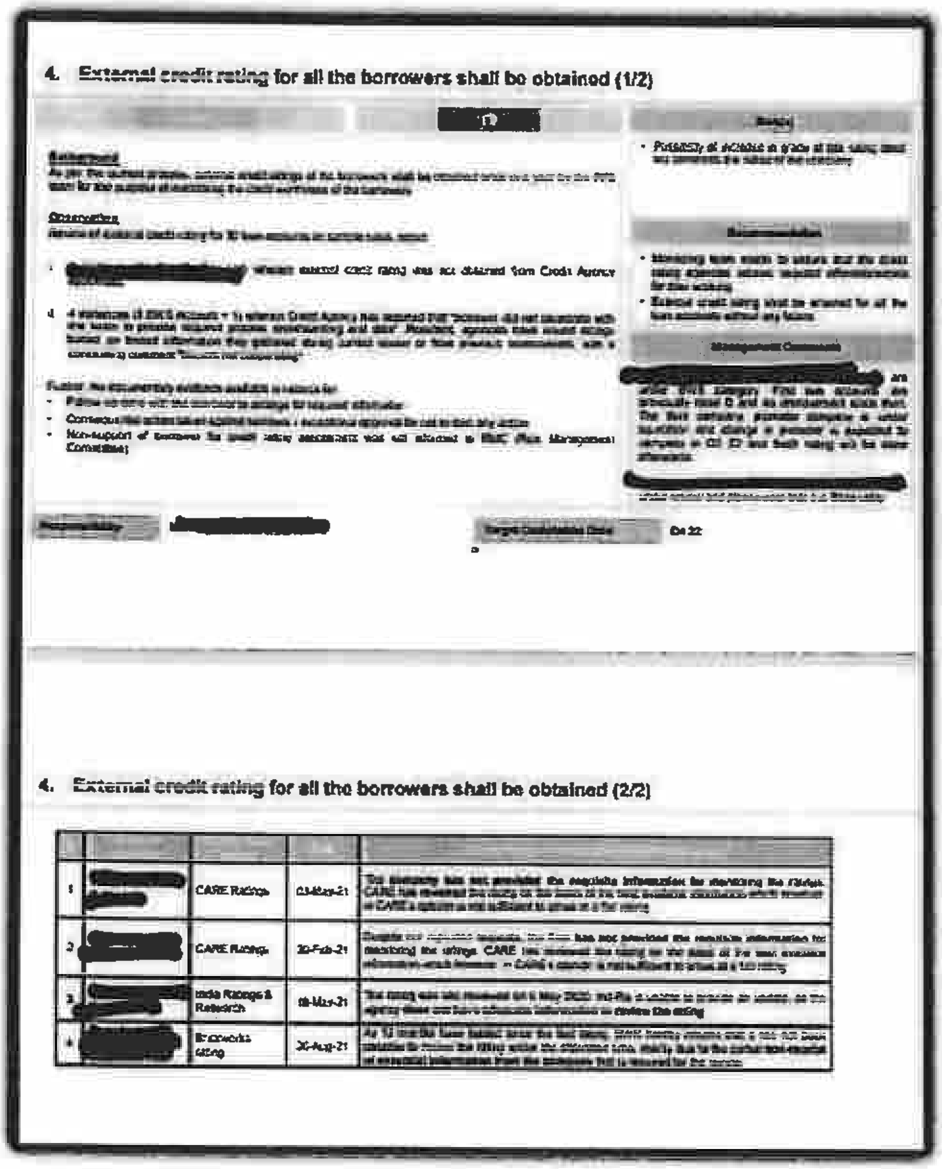
Exhibit-VIB- Internal audit Report for Quarter-2 of Financial Year21-22 in case of [redacted]



4. External credit rating for all the borrowers shall be obtained (1/2)

[redacted] wherein external credit rating was not obtained from Credit Agency

Responsibility [redacted] Target Completion Date Oct 22

4. External credit rating for all the borrowers shall be obtained (2/2)

1	[redacted]	CARE Ratings	03-May-21	[illegible]
2	[redacted]	CARE Ratings	20-Feb-21	[illegible]
3	[redacted]	India Ratings & Research	18-May-21	[illegible]
4	[redacted]	Brickworks rating	30-Aug-21	[illegible]

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Exhibit-VIC- Audit Committee Presentation by Statutory Auditors for September 2021 in case of [redacted]

[redacted] - [redacted]

(Amount in INR crores, as at September 30, 2021)

Loan Amount	Provision	Net amount	Secured amount	Unsecured amount
145	11	134	134	11

- Due to regulatory constraints in the state of [redacted] the land was purchased through 5 different subsidiaries of [redacted]
- NCLT vide its order dated February 28, 2020 approved the merger of five subsidiaries of [redacted] into [redacted] As of now, this is being delayed due to Covid-19 Pandemic.
- PFS had issued NOC for change in promoter of [redacted] (PFS funded) from [redacted] with a condition that INR 42.50 Cr will be transferred to [redacted] account. The sale has been materialised and the said amount had been deposited into TRA account. This amount has been mainly utilised towards Capex to increase the capacity of project.
- The original tariff rate as per PPA was Rs 4.43/KwH. It was reduced to Rs 3.07/KwH on account of delay in completion of project by 323 days at Rs 0.005 per day of delay.
- Borrower has received the revision in tariff from Rs 3.07/unit to Rs 4.10/unit from [redacted] and has also received the arrear amounting to Rs 3.70 Crs (out of Rs 4.75 Crs) on July 11, 2021 which was used towards debt servicing.
- Valuation of secured amount is based on future projected free cash flows after considering the effect of time value of money, planned capacity, projected PLF and revised PPA rate as per [redacted] order.

23

[redacted]

Management's position

- The secured amount is calculated basis the discounted future cash flows on the basis of revised PPA rate. The current provision is accurate.
- NCLT vide its order dated February 28, 2020 approved merger of five subsidiaries of [redacted] into [redacted] [redacted] is in the process of clearance of land and will create mortgage in favour of [redacted] & [redacted] As of now, this is being delayed due to Covid-19 Pandemic.
- Charge has been created on the solar modules and basis book value of such modules from audited accounts, the value is significantly higher than the loan recoverable.
- Non-Disclosure Agreements (NDAs) have been signed with few prospective buyers and due diligence has been initiated. Promoter change is expected by December 2021 post which loan account may come out of EWS category.
- The provision is accurate as at September 30, 2021.

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Exhibit-VID- RAR report (para 2.2.1.2& Annex-11) for Financial Year ending 31st March 2021 in case of [redacted]

2.2.1.2	i) As per the Operation policy, a checklist of the required documents was required to be filed in the loan files. However, no such checklist was prepared and maintained in all loan files. Further, there was no indexing or numbering of pages in the loan files, which were in multiple volumes for each loan account. This translated to a deficient oversight as, in various instances, documents were not found in the loan files. ii)The company was not conducting site visits even on an annual basis. They were dependent upon LIE (Lenders Independent Engineer) reports of outsourced agencies. No report pertaining to conducting the site visit, was found in any of the cases sanctioned during the period under review.
	Page 7 of 11
	iii)The company had accepted photocopies as KYC documents while sanctioning of loan cases. In no case, the company officials had noted that the photocopies were verified with the original documents.

Annexure 11: List of Instances

Sr. No.	Para No of RAR / IR	Sample Size	Number of cases having deficiencies ((samples having deficiencies/total samples taken for a particular gap) as a percentage)	Major Examples and instances relating to Observations in the RAR / IR
1	Para 2.2.1.2 of RAR	17	100	(see accounts below)

S N	Accounts
1.	[redacted]
2.	[redacted]
3.	[redacted]
4.	[redacted]
5.	[redacted]
6.	[redacted]
7.	[redacted]
8.	[redacted]
9.	[redacted]
10.	[redacted]
11.	[redacted]
12.	[redacted]
13.	[redacted]
14.	[redacted]
15.	[redacted]
16.	[redacted]
17.	[redacted]

<u>Index of Exhibits for [redacted] with all the relevant supporting:</u>

Sr.No.	Particulars	Exhibit No.	Page No.
1.	RBI Risk Assessment Report (RAR) for financial year ending 31st March 2021 in case of [redacted]	VIIA	176

Exhibit-VIIA- RBI Risk Assessment Report (RAR) for financial year ending 31st March 2021 in case of [redacted]

2.2.1.2	i) As per the Operation policy, a checklist of the required documents was required to be filed in the loan files. However, no such checklist was prepared and maintained in all loan files. Further, there was no indexing or numbering of pages in the loan files, which were in multiple volumes for each loan account. This translated to a deficient oversight as, in various instances, documents were not found in the loan files. ii)The company was not conducting site visits even on an annual basis. They were dependent upon LIE (Lenders independent Engineer) reports of outsourced agencies. No report pertaining to conducting the site visit, was found in any of the cases sanctioned during the period under review.

	iii)The company had accepted photocopies as KYC documents while sanctioning of loan cases. In no case, the company officials had noted that the photocopies were verified with the original documents.

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Annexure 11: List of Instances

Sr. No.	Para No of RAR / IR	Sample Size	Number of cases having deficiencies [(samples having deficiencies/total samples taken for a particular gap) as a percentage]	Major Examples and Instances relating to Observations in the RAR / IR
1	Para 2.2.1.2 of RAR	17	100	See accounts list below

S N	Accounts
1.	[redacted]
2.	[redacted]
3.	[redacted]
4.	[redacted]
5.	[redacted]
6.	[redacted]
7.	[redacted]
8.	[redacted]
9.	[redacted]
10.	[redacted]
11.	[redacted]
12.	[redacted]
13.	[redacted]
14.	[redacted]
15.	[redacted]
16.	[redacted]
17.	[redacted]

Index of Exhibits for [redacted] with all the relevant supporting:

Sr.No.	Particulars	Exhibit No.	Page No.
1.	Audit Committee Presentation by Statutory Auditors for September 2021 in case [redacted]	VIIIA	180
2.	Forensic Audit Report of March 2019 issued by [redacted] in [redacted]	VIIIB	182
3.	RBI Risk Assessment Report (RAR) for the year ended 31st March. 2020 in case of [redacted]	VIIIC	212
4.	RBI RAR report (para 2.2.1.2& Annex-11) for Financial Year ending 31st March 2021 in case of [redacted]	VIIID	213

Exhibit-VIIIA- Audit Committee Presentation by Statutory Auditors for September 2021 in case of [redacted]

[redacted]

(Amount in INR crores, as at September 30, 2021)

Loan Amount	Provision	Impairment Reserve	Net amount	Security Value	PFS Share (%)	PFS Security Share	Unsecured Value
189	172	8	9	532	3.62%	19	167

- The captioned account was admitted by NCLT for IBC proceedings on May 24, 2019. Resolution Professional (RP) had not received any feasible resolution plan till CIRP extended date January 9, 2021 and the same had been referred for liquidation, the application of which is under adjudication with [redacted]
- In the past, the Company had converted part of the loan into equity shares amounting to Rs. INR 40 crores. This equity investment had been fully written-off and therefore, basis cumulative position, the Company has provided/ written-off Rs. 220 crores against recoverable balance of Rs. 229 crores.
- The security valuation of Rs 532 crores (net of 20% discount factor) is based on the average of liquidation value as per the valuations conducted by the Resolution professional in May 2019 and November 2019.
- Rs. 8 crores have been transferred to impairment reserve, relating to excess of provision (as per RBI prudential norms) and ECL provision.
- The Company has provided (including amount transferred to impairment reserve) for 30% on secured portion and 100% of unsecured portion in accordance with RBI prudential norms applicable for doubtful assets under category of '1-3 years'.

15 [redacted]

MUMBAI

[redacted]

Management's comments

- The valuations have been done by the external valuers [redacted]) who are registered valuers and the valuers have been appointed by RP. This demonstrates the competence and objectivity of the valuer, given his stature in this space.

- The security valuation has been considered on the basis of average of liquidation value of two valuation reports for ECL provisioning on account being referred for liquidation. A further discount of 20% has also been considered on account of valuation reports being older than 2 years. Thus, the security valuation is appropriate for ECL calculations.

- The total recoverable to us is Rs. 229 crores (represented by Rs. 189 crores and Rs. 40 crores as debt and equity respectively). The equity value has been completely written off and Rs. 172 crores have been already provided as expected credit loss allowance. Rs. 8 crores have been also recorded in impairment reserve as at September 30, 2021, in accordance with RBI's circular in Ind AS implementation dated March 13, 2020. Collectively, Rs. 220 crores have been already considered from impairment perspective - which represents 96% of the original amount recoverable under this project. From debt perspective, Rs. 180 crores have been considered out of Rs. 189 crores, representing that 95% has been already provided for.

16 [redacted]

Exhibit-VIIIB- Forensic Audit Report of March 2019 issued by [redacted] in case of [redacted]

| 21

[redacted]

FORENSIC AUDIT REPORT

2.02: Observations on Financial statements:

i. There is no increase in Share Capital after 31-03-2016 against the targeted Share Capital of Rs.1550 Crores (as per approved means of the finance). Promoters could bring in funds only to the extent of Rs.967.78 Crores as on 31-03-2016. Since the books of accounts of the company are not produced for our verification, we could not verify how and when the funds were brought in by the Promoters and the source for investment in the share capital of the company by various shareholders.

ii. "Long term borrowings" represent term loans availed from lenders. "Short Term Borrowings" represent Sub debt availed from the lenders pending infusion of equity, which has not happened till 31-03-2017.

iii. Since the Books of accounts were NOT made available, we could not ascertain the nature of "Trade payables" and "Other Current Liabilities" and hence not able to comment on the same.

iv. 'Current Investments' majorly comprise of 'investments' in short term debt mutual funds. The funds for such investment had come out of equity/debt infusion into the project, as it can be seen from the bank statement analysis enclosed during the period 2011-2016. However, the funds had mostly gone out of the TRW account, as such the Bankers are aware of such investments since we understand that no cheque book is issued to the borrowers for such accounts.

v. Investment in Joint ventures [redacted]) and [redacted] per signed financials of FY 2015-16 was Rs.1,625 Crores in [redacted] per signed financials, notes on "interest in Joint Ventures" [redacted] filed petition for winding up/strike off and accordingly the disclosures relating to the said Joint controlled entity is not considered and was written off in FY 15-16; however as per MGT-7 filed with ROC for FY 15-16 [redacted] shown as joint venture of the company with 33.33% share).

vi. We found from the bank records that on 10-07-2017, (FY 17-18), the lenders converted an amount of Rs.1007.28 Crores [redacted]- Rs.368.55 Crores) into equity, accordingly company issued 1007280000 shares to lenders-which resulted in the lenders holding 51% in the total equity of the company. However no change of management could be effected consequent to SDR and this failed to take off. In absence of the books of accounts and detailed financials, our scrutiny has been restricted.

[redacted]

[redacted]

FORENSIC AUDIT REPORT

vii. [redacted] in their report for the FY 2016-17 vide note 2.44, stated that the financial statements are prepared on going concern basis, which assumes that the company would be able to meet its obligations (including funding for equity) as and when they fall due, however the same is contingent on the company's management raising the required additional capital and completion of Unit-1 which is in advance stage of implementation as reported by the auditors. However as the project got stalled and the promoters have abandoned the project and resigned from the board (leaving only the nominee directors) there is no progress in the project after this date and the going concern concept also got vitiated.

viii. Also [redacted]) observed that there were continuing delays in payment of interest on loans, details of which were as below(as mentioned in audit report for FY 16-17):

Name of the Lenders	Rs. in Crores	Due Dates	Delays in days
[redacted]	14.31	01/05/16 to 01/03/17	30-334
[redacted]	2.48	01/02/17 to 01/03/18	30-58
[redacted]	31.22	01/07/16 to 01/03/17	30-273
[redacted]	41.46	01/11/15 to 01/03/17	30-516
[redacted]	0.0005	01/03/17	30
[redacted]	77.25	01/03/15 to 01/03/17	30-716
[redacted]	22.05	01/10/16 to 01/03/17	30-181
[redacted]	45.05	01/10/15 to 01/03/17	30-547
[redacted]	39.44	01/03/16 to 01/03/17	30-395
[redacted]	11.44	01/07/16 to 01/03/17	30-273
[redacted]	34.46	01/11/16 to 01/03/17	30-150
[redacted]	0.09	01/03/17	30
[redacted]	45.32	01/11/15 to 01/03/17	30-516
[redacted]	5.35	01/02/17 to 01/03/17	30-58
[redacted]	1.47	01/10/15 to 01/03/17	30-547

[redacted]

[redacted]

FORENSIC AUDIT REPORT

3.00: Verification of Bank Statements and observations thereon:

3.01: The following accounts maintained by the company with SBI and erstwhile associate banks of SBI for the period 2010-2018 were scrutinised:

S No	Account No.	Bank/Branch	Type of account	Remarks
1	31731511640	SBI ,CCG Branch	CA-Construction Fund	
2	32248319686	SBI ,CCG Branch	CA	Account has small operations pertaining to Gratuity Trust Fund etc.,
3	31732919023	SBI ,CCG Branch	CA	Account is used mainly for salaries and administration payments etc., out of funds transferred from construction fund account (31731511640).
4	31691015135	SBI ,CCG Branch	CA-TRA Account	
5	35974204724	SBI ,CCG Branch	CA	Account is operated by SBI for meeting essential payments like insurance, security agency fees etc., and is designated as Corpus Fund account.
6	31819523410	SBI, Kharsia	CA	Account is maintained at [redacted] of SBI for meeting site expenses out of funds transferred from construction fund (31731511640)and TRA account(31691015135)
7	31454865923	SBI ,CCG Branch	CA	This account was opened on 22-12-2010 prior to opening of TRA account (31691015135) on 25-04-2011
8	31976321729	SBI	TL account	Term loans disbursed were credited to TRA account
9	34631045272	SBI	TL account	
10	35178829571	SBI	TL account	
11	35529071700	SBI	TL account	
12	35851631007	SBI	TL account	
13	61142130829	SBBJ	TL account	
14	61305294047	SBBJ	TL account	
15	67159503187	SBT	TL account	
16	67358105760	SBT	TL account	
17	65124835415	SBP	TL account	
18	65251305537	SBP	TL account	
19	31578548380	SBI	TL account	Term loan disbursed was credited to 31454865923 account

[redacted]

FORENSIC AUDIT REPORT

3.02: TRA account: 31691015135 - Analysis of Credits

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[redacted]	32,503	150,000,000	620,000,000	152,500,000				[illegible]
[redacted]	880,611,301	545,146,023	175,500,000					[illegible]
[illegible]		5,616,810						[illegible]
[illegible]	2,925,000							[illegible]
ECI	223,350,000		313,100,000					[illegible]
Mutual Fund	[illegible]	4,913,815,717	2,330,541,437	1,635,764,902	193,999,534	395,755		13,[illegible]
[illegible]		126,303,561	[illegible]	[illegible]	[illegible]			[illegible]
[illegible]	510,000,000	200,000,000	250,000,000	70,713,000				[illegible]
[illegible]		2,051,695,651	70,302,126	152,765,195				[illegible]
[illegible]	1,500,000							1,500,000
[illegible]	120,000,000							[illegible]
[illegible]			19,500,000	75,500,000	[illegible]			[illegible]
[illegible]		360,373						[illegible]
[illegible]				2,300,000,000				2,300,000,000
[illegible]					21,550		[illegible]	[illegible]
ACH CR - [illegible]	[illegible]							[illegible]
ACH CR - [illegible]	815,156							815,156
[illegible]	2,[illegible]	493,839,567	[illegible]	1,902,533,156	[illegible]	[illegible]	5,216,545	[illegible]
[illegible]	15,852	41,455	54,775	[illegible]	[illegible]	11,195	13,656	[illegible]
E. disbursement - SBI	233,500,000	[illegible]	285,500,000	[illegible]	[illegible]			[illegible]
E. disbursement - [illegible]	333,300,000	246,000,000	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
E. disbursement - Canara Bank	[illegible]	662,132,592	210,660,270	[illegible]	270,010,000	[illegible]		[illegible]
E. disbursement - [illegible]	135,920,028	252,670,000	[illegible]	275,190,000	[illegible]			[illegible]
E. disbursement - [illegible]	311,030,000	245,100,000	[illegible]	[illegible]	[illegible]	[illegible]		1,754,851,620
E. disbursement - [illegible]	155,500,000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
E. disbursement - [illegible]	311,000,000	[illegible]	[illegible]	[illegible]	[illegible]			[illegible]
E. disbursement - Axis Bank	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]			[illegible]
E. disbursement - L&T Infrastructure	[illegible]	507,600,000	[illegible]	[illegible]	[illegible]	76,665,515		[illegible]
E. disbursement - [illegible]	[illegible]	1,051,348,367	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
E. disbursement - [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]			[illegible]
E. disbursement - [illegible]	545,700,000	313,900,000	[illegible]	[illegible]				[illegible]
E. disbursement - [illegible]	311,500,000	567,024,437	[illegible]	[illegible]	[illegible]			[illegible]
E. disbursement - [illegible]	311,500,000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1,500,000	[illegible]
E. disbursement - [illegible]	155,900,000	[illegible]	[illegible]	[illegible]	[illegible]			[illegible]
E. disbursement - [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]			[illegible]
E. disbursement - [illegible]		[illegible]	[illegible]	421,102,[illegible]	[illegible]			[illegible]
Grand Total	[illegible]	[illegible]	[illegible]	[illegible]	9,711,975,501	[illegible]	15,653,301	[illegible]

[redacted]

FORENSIC AUDIT REPORT

Payer Name	Count of Credit	Amount received	Amount in Crores	%	Equity/TL subtotal
[redacted]	15	[illegible]	90.35	[illegible]	
[redacted]	14	1,469,[illegible]	[illegible]	[illegible]	
Alliance Infra Projects	1	5,6[illegible],010.00	0.56	0.07%	
Energy Infratech	1	2,92[illegible],000.00	0.29	0.00%	
[illegible]	1	535,[illegible],000.00	53.54	0.63%	
NEW Infrastructure Ltd	10	1,730,711,000.00	173.07	2.19%	
[illegible]	1	113,[illegible].00	11.35	[illegible]	475.99
Mutual Fund	[illegible]	[illegible]	1,30[illegible]	[illegible]	
[illegible]	[illegible]	332,[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
[illegible] Project	1	1,500,000.00	0.15	0.00%	
[illegible]	2	110,00[illegible].00	11.00	[illegible]	
Excess interest [illegible]	1	300,[illegible].00	0.03	[illegible]	
[illegible] bank TL	2	[illegible]	[illegible]	[illegible]	
[illegible] of [illegible]	3	1,5[illegible],550.00	[illegible]	[illegible]	
AKPL CA - [illegible]	1	[illegible]0,000.00	0.00	[illegible]	
AKPL CA - [illegible]	1	[illegible],290.00	[illegible]	[illegible]	
Details not available - [illegible]	[illegible]	5,507,[illegible],042.95	[illegible]	[illegible]	
Details not available	51	[illegible]	[illegible]	[illegible]	
TL disbursement - SBI	[illegible]	[illegible]	[illegible]	[illegible]	
TL disbursement - [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
TL disbursement - Canara Bank	[illegible]	2,95[illegible]	[illegible]	[illegible]	
TL disbursement - [illegible]	19	[illegible]	[illegible]	[illegible]	
TL disbursement - PTC	10	[illegible]	[illegible]	[illegible]	
TL disbursement - [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
TL disbursement - IOB	[illegible]	2,030,[illegible]	[illegible]	[illegible]	
TL disbursement - Andhra Bank	10	[illegible]	[illegible]	[illegible]	
TL disbursement - L & T Infrastructure	[illegible]	[illegible]	[illegible]	[illegible]	
TL disbursement - [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
TL disbursement - Vijaya Bank	[illegible]	[illegible],917.00	[illegible]	[illegible]	
TL disbursement - [illegible]	[illegible]	[illegible],000.00	[illegible]	[illegible]	
TL disbursement - PNB	[illegible]	[illegible],140.00	[illegible]	[illegible]	
TL disbursement - UBI	[illegible]	[illegible]	[illegible]	[illegible]	
TL disbursement - Allahabad Bank	[illegible]	[illegible]	100.00	[illegible]	
TL disbursement - OBC	[illegible]	[illegible],000.00	[illegible]	[illegible]	
TL disbursement - Karnataka Bank	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Grand Total	938	[illegible]	[illegible]	100%	

3.03: Observations on credits of 31691015135 accounts:

1. The term loan account statement of the company with [redacted] has been received only in part.

2. Against the total paid up capital shown as per the Audited financials for FY 16-17 [verified from bank records] of Rs.967.78 Crores, the amounts credited to TRA account was only Rs.475.99 Crores. In absence of the books of accounts, we are unable to comment on the nature and source of infusion of the capital by the promoters.

[redacted]

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3. We have called for the vouchers numbering 165 in respect of few credits aggregating Rs.558.79 Crores. However SBI CAG branch informed that they do not have details of these credits i.e name of the remitter etc. details in their daily vouchers. Hence we are unable to comment on this aspect further.
4. Since the Company's books of account were not available [the company is remaining closed and no office/persons available to respond], we could not get the required details for further verifications and reporting. Also, there was nobody available from the company for discussions or for giving any clarifications.

3.03: TRA account: 31691015135 - Analysis of Debits:

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[redacted]

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[redacted]

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[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		[illegible]	[illegible]	1,101.66	[illegible]
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
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[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		[illegible]	[illegible]	5.55	[illegible]
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
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[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]

3.04: Observations on debits of 31691015135 account:

i. As can be observed from the above, we found that from the TRA account (31691015135), around 77% i.e **Rs.6016.42** Crores of funds were credited to the Construction fund Account (**31731511640**) from where major payments have gone to [redacted] and [redacted].

ii. As already reported, Company has made investments in short term debt mutual funds out of funds lying in this account from time to time (Details of same provided as **Annexure -2**). The Bank has knowledge of the same since TRA is controlled by the bank.

[redacted]

[redacted]

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iii. In absence of details available at SAME, we have visited the CAG branch of the Bank and collected the details as made available. However, we could not get the payee names for an amount of Rs.40.9 Crores from bank statements / bank records (i.e vouchers for the same were not found in SBI CAG branch).

3.05: Analysis of Debits and Credits in Account No: 31731511640 in SBI CAG Branch CA-Construction Fund Account for the period from FY 2011-12 to 2017-18:

i. It is observed that more than 90% of the credits in 31731511640-construction fund account are funds transferred from TRA account i.e.31691015135.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[redacted]

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[redacted]

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Payee Name	Count	Amount	Amount in crores	%
[redacted]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	0.37	[illegible]
[illegible]	1	[illegible]	[illegible]	[illegible]
[illegible]	1	[illegible]	[illegible]	[illegible]
Employee Insurance	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	1.24	[illegible]
Energy Infratech Pvt Ltd	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	1	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	1	[illegible]	[illegible]	[illegible]
Forwarded [illegible]	[illegible]	[illegible]	11.67	[illegible]
Fuel Charges	1	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	1	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
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[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	352,163	[illegible]	[illegible]
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[illegible]	1	[illegible]	[illegible]	[illegible]
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[illegible]	1	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[redacted]

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[redacted]

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Payee Name	[illegible]	[illegible]	Amount in [illegible]	%
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[redacted]

[redacted]

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Payee Name	Count	Amount	Amount in crores	%
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	5.00	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
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[illegible]	[illegible]	[illegible]	11.18	[illegible]
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[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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[illegible]	Count	Amount	Amount in [illegible]	%
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
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[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Grand Total	[illegible]	[illegible]	[illegible]	[illegible]

3.06: Observations on Debits in 31731511640 current account:

i. From the above it appears that **Rs.1501.25 Crores** [**22.94%** of the total Rs.6543.4 Crores] has been transferred to [redacted]. The company has signed four contracts with [redacted] for BOP Supply [ex-works] [redacted] & Construction works for the power project. The value of these contracts aggregate to **Rs.2579.23 Crores.**

[redacted]

[redacted]

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i. An amount of **Rs.1090.10 Crores** has been transferred [redacted] who is the BTG Supplier for the project, the contract value of BTG supply is **Rs.2479.11 Crores.** Payment to [redacted] to be 14.46% out of total payments from account.

iii. Rs.11.63 Crores has been paid to [redacted] during the period 2011-12 to 2015-16, who was the Company's Consultant Engineers. It is observed that E Infra had raised several invoices for residual engineering & project management services aggregating to Rs.180 lakhs against which payments have been made by the Company to the extent of Rs.107.83 lakhs. Monthly payments have been made to E Infra and the details of services rendered are not clear.

iv. Also it is seen [redacted] who had prepared the DPR for the project of the Compa[redacted] has filed a case against the Company in NCLT for pending dues of Rs.72.17 lakhs and the case was eventually dismissed by NCLT for some technical reasons, as we understand.

[redacted]

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3.07: Analysis of Debits of Account No: 31454865923, SBI CCG Branch CA

Name of the A/c	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	19	[illegible]	[illegible]	[illegible]
ACPL CA account - Construction fund a/c	99		977 6[illegible]	
AEVPL		[illegible]		[illegible]
[illegible]		[illegible]		5 730 [illegible]
Bank charges		12		[illegible]
[illegible]		[illegible]		[illegible]
[illegible] account		[illegible]		[illegible]
[illegible]	2		[illegible]	
[illegible]	[illegible]		1 [illegible]	
Interest		[illegible]		11 [illegible]
[illegible]		[illegible]		[illegible]
Mutual Funds	[illegible]	15	1 [illegible] 351	2 122 000 000
[illegible]		1		[illegible]
[illegible]	[illegible]		[illegible]	
[illegible]		[illegible]		[illegible]
[illegible]		[illegible]		[illegible]
[illegible]		[illegible]		[illegible]
ACPL [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ACPL CA account [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ACPL TRA [illegible]	[illegible]		44 [illegible]	
ACPL CA [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Statutory Payments		172		[illegible]
Grand Total	[illegible]	[illegible]	[illegible]	[illegible]

3.08: Observations on 31454865923 current account:

i. This account was opened on 22-12-2010 prior to opening of TRA account (31691015135) on 25-04-2011, bulk of transactions routed through this account. after opening of TRA account this account was mainly used for payment of statutory dues like income tax, service tax, WCT,VAT,TDS etc and credits are mostly from 31731511640 CA-construction fund account.

ii. The company's investment in debt mutual funds to the tune of Rs.240 Crores was made from this account. Also it is observed that an amount of Rs.90 Crores out of term loan disbursement of Rs.120 Crores on 10.01.2011 was invested in mutual funds on same date.

[redacted]

MUMBAI

[redacted]

FORENSIC AUDIT REPORT

3.09: Other Key Observations on analysis of all bank statements:

i. Company has made investments in short term debt mutual funds out of funds lying in this account from time to time (Details of same provided as **Annexure -2**). The Bank is aware of the investments (since it has gone out of the TRA Account) and it is seen that the money so invested has ultimately come back into the system in due course of time. However, No written application, permission or approval is available in the files made available to us for our perusal.

Account Number	Payments to ABIR	Receipts from ABIR
31454865923	1,345,571,800	1,059,271,868
31691015135	80,344,638	907,532,500
31731511640	15,012,486,240	-
Grand Total	16,439,402,680	1,966,804,368

ii. As per the audited financials of FY 2016-17, the total amount of investment in the Share capital by [redacted] and [redacted] Ltd. was Rs.170.25 Crores. However total amounts received from [redacted] in above three accounts is Rs.199 Crores.

iii. The total value of agreements signed with [redacted] was Rs.2579.23 Crores against which total amount paid to [redacted] from above accounts is Rs.1643.94 Crores (which constitutes 22.94%, 0.10% and 18% of total payments in 31731511640, 3169105135 and 31454865923 accounts respectively) which works out to be 63.74% of contract value of Rs.2579.23 Crores.

iv. Since [redacted] is also an investor in this company and considering the huge funds remitted to them from the TRA Acct. 31691051355135 and the construction Fund account-31731511640, it is important to check whether the same is in proportion to the actual physical progress of the project and no diversion of funds has happened from the amounts transferred to [redacted] and whether [redacted] own funds have

[redacted]

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[redacted]

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come into [redacted] as Equity Funds without any round tripping of funds. However, in absence of the books of accounts of [redacted] and NO details of invoices given by ABIR, we are unable to verify and comment on this aspect.

v. Rs.1090.10 Crores were paid to the other major contractor [redacted] the contract value of Rs.7.0178 Crores PLUS USD 409.5 Crores (approximately Rs.2586.86 Crores - $ rate taken as Rs63/$ (average of three years(31-03-2014,2015,2016)]

vi. List of BGs issued and outstanding as on 31-12-2018 is enclosed as **Annexure -1**

vii. It is informed during our visit to SBI, CAG branch that only one LC for USD 75 million(amount increased to [redacted]6 million subsequently) was opened favouring [redacted] bills [redacted] been paid by releasing term loan from SBI and other consortium bankers. It is also reported that two import collection bills received from [redacted] been returned unpaid by them, to the tune of USD 4.96 Lakh approximately Rs.3.12 Crores (taking USD rate @Rs. 63).

4.00: Other observations:

4.01: [redacted] has been executing the project under two packages viz [redacted] package and [redacted] & Civil Works package. The BTG contract comprises of three separate contracts - "BTG Supply", "BTG Services" and "Onshore Services". [redacted] has awarded "BTG Supply" and [redacted]" contract to [redacted] and "[redacted]ces for

[redacted]

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[redacted]

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BTG Equipment" contract to [redacted] has also awarded the BOP contract to [redacted] which has been structured into three separate agreements which are - "BOP Supply", "BOP Services" and "Civil & Construction Contract".

4.02: Details of Major contracts entered

Package	Contractor	Original contract value	Revised contract value	Date of award & date of amendment	Contracted date of completion
BTG Supply (CIF)	[redacted]	USD 409.50 million	USD 409.5 million	21-12-2009 & 22-07-2015	31-12-2015 & 31-12-2016
BTG Services	[redacted]	7.018 Crores	7.0178 Crores	21-12-2009 & 22-07-2015	31-12-2015 & 31-12-2016
BTG Onshore Services	[redacted]	350 Crores	444.06 Crores	21-12-2009 & 23-07-2015	31-12-2015 & 31-12-2016
BOP Supply (Ex-works)	[redacted]	959 Crores	1003.47 Crores	18-06-2010 & 23-07-2015	31-12-2015 & 31-12-2016
BOP Services	[redacted]	145 Crores	185.01 Crores	18-06-2010 & 23-07-2015	31-12-2015 & 31-12-2016
Civil & Construction works	[redacted]	862 Crores	945.69 Crores	18-08-2010 & 23-07-2015	31-12-2015 & 31-12-2016

Total contracts value with ABIR – Rs.2579.23 Crores.

5. Since the scope and contents of the agreements entered into with the Major contractors were not made available, it is not clear why [redacted] has signed two contracts for BTG onshore services one with Dongfang and another with [redacted] There is no evidence on record to prove that independent evaluation of the scope of these contracts or any [redacted] study has been conducted by independent agencies.

[redacted]

[redacted]

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4.04: As per the LIE report [redacted] Ltd dated 19-12-2017 the construction activity progress was 65.61% upto Oct. 2017; however breakup of the progress package-wise i.e BTG, BOP etc., is not available in the LIE report or anywhere else in the files.

5.00: Scope and Remarks:

S. No	Scope	Remarks
5.01	**Ascertaining money trail and end use of funds disbursed by lenders**	Major Payments viz. (i) Rs.1643.94 Crores were paid to [redacted] which constitutes 22.94%, 0.10% and 18% of total payments through account numbers 31731511640, 3169105135 and 31454865723 respectively) and (ii) Rs.1090.10 Crores to [redacted] (which constitutes 16.66% of total payments in 31731511640 account). As already said, ABIR is an investor in the project and considering the huge funds remitted to them from TRA (5135)/construction Fund account (1640) it is important to check whether the same is in proportion to the actual physical progress of the project and no diversion of funds has happened from the amounts transferred to ABIR and whether [redacted] own funds have come into [redacted] as Equity Funds and not out of funds transferred to them as advance. However, in absence of verification of the books of accounts of [redacted] and in absence of the details of invoices given by ABIR, we are unable to comment on this aspect.

[redacted]

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[redacted]

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5.02	Tracing the source and genuineness of contribution by promoters by analyzing equity/ debt /infused by promoters /partners	Against the total paid up capital shown as per the Audited financials for FY 16-17 (verified from bank records) of Rs.967.78 Crores, the amounts credited to TRA account was only Rs.475.99 Crores. In absence of the books of accounts, we are unable to comment on the nature and source of infusion of the capital by the promoters. We have called for the vouchers numbering 165 in respect of few credits aggregating Rs.558.79 Crores. However SBI CAG branch informed that they do not have details of these credits i.e name of remitter etc. in their daily vouchers. Hence we are unable to comment on this aspect further. Since the Company's books of account were not available (the company is remaining closed and no office/persons available to respond), we could not get the required details for further verifications and reporting. Also, there was nobody available from the company for discussions or to give any clarifications.
5.03	Commenting on transactions of substantial amount which seem not to be normal trade transactions at arms length.	Project was not completed. So there were NO Trade Transactions. Major Project payments were made only to 2 Companies (i) Rs.1090.10 Crores to [redacted], the [redacted] and (ii) [redacted] the extent of Rs. 1643.94 Crores which works out to be 63.74% of contract value of Rs.2579.23 Crores. [redacted] being a related/associated entity (being an investor, even though at a token level), the transactions between them are subject to arms length verification which could not be done in this case in absence

[redacted]

[redacted]

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		of evidences to prove that [redacted] obtained competitive quotes while selecting [redacted] as the contractor in the respective areas. In absence of evidences, this comment applies to the appointment of [redacted] (which however is not an associate company) also as to how they have been selected for the job and how their credentials have been verified before appointment as the main suppliers.
5.04	**Commenting on adherence to Escrow/TRA arrangements made with various banks, details of all the transactions with banks outside consortium/ other than nominated account**	[redacted]'s books of account were not made available. The company is remaining closed and no office/persons available to respond. As per the MCA records, the Balance Sheet of [redacted] was filed upto 31-3-2016. Obtaining information has been quite difficult. We could not get the required details for conducting detailed verifications and reporting. Also, there was nobody available from the company for discussions/giving any clarifications. In absence of books of accounts of [redacted] made available for our scrutiny, we are not able to ascertain the details of accounts if any maintained by the company with other non-lending banks. The accounts which have come to our knowledge have already been given in this report. Since [redacted] did not commence its business, the funds if any routed as such would be only the funds lent and the capital which have already been covered in this report.
5.05	**Concentrating transactions i.e. sole customer, sole supplier**	Project was not completed. So there were NO Trade Transactions. However, as regards the transactions with related parties, we have to report as below: As per the audited financials of FY 2016-17 the total amount of

[redacted]

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	transaction with related parties/ group companies Analysis of relationship in two way deal with same party or indirect payments made by customers of borrower to vendors of the borrower	investment in the share capital of [redacted]L by [redacted] and [redacted] Ltd was Rs.170.25 Crores; however total amounts received from [redacted] in [redacted] accounts amounted to Rs.199 Crores. The total value of agreements signed with [redacted] was Rs.2579.23 Crores against which total amount paid to was Rs.1643.94. Since [redacted]s also investor in the project and considering the huge funds remitted to them from TRA& construction Fund account, it is important to check whether the same was in proportion to the actual physical progress of the project and no diversion of same into equity has been done. However we are unable to comment on this specifically in absence of company's books of accounts, invoices etc, made available for audit.
5.06	Movement in unsecured loans	There are no unsecured loans as per audited financials for the year 2016-17
5.07	Debts raised in sister /associate/ group companies through corp. guarantee of borrower or against security of promoters or	Audited financials for the year 2016-17 do not disclose any contingent liability on account of corporate guarantee given by the Company. As per the Balance sheet of [redacted] as on 31-03-2016 (latest available as per MCA website) [redacted] do not have any short term or long term borrowings. No other information regarding the borrowings of other group/sister companies are available in the files perused by us. The main problem in this case appears to be that there were only investor-promoters who depended on professionals and in absence of a committed promoter to spearhead and complete the

[redacted]

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[redacted]

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	promoters family assets	project in time. the promoter-investors took a stop loss decision and raised their hands when the project did not get into shape, landing the lenders with the NPA.
5.08	Finding details of assets of unit /its promoters/ to ensure recovery of loans as there would be cases where some assets are not reported in the financials of Co. /borrower	The assets created out of the Term Loans have not started yielding any revenue to the stakeholders, since the project stopped mid-way due to desertions by the Contractors. Net data states that according to the bid document, delay in land acquisition and the slow progress of boiler & turbine erection along with financial problems have plagued the power project. According to a Brickwork Ratings report, while the initial cost of the project was Rs.6,200 crore, it was later revised to Rs.8,464 crore with an increase of 35%, mainly owing to depreciation in the rupee as the power generation equipment was being sourced from China. We have visited the [redacted] plant at [redacted] and found the factory was
5.09	Examining discreetly chain of transactions pertaining to the unit/ promoter/ to ensure genuineness of the dealings as there could be cases of bogus/other settlement transactions	deserted and there was nobody to give any relevant detail. The Bank(s) have to appoint a technical team to ascertain whether the unit can be made functional and with what type/quantum of further investment(s) by calling the same [redacted] (which would involve cost again) or to sell to the highest bidder which may involve haircuts. As already reported, ABIR is one of the investors in the project who is also the major contractor for the project and funds to the tune of Rs.1643.94 Crores was remitted to them for project related work. We neither could go through the accounts nor did we find any invoices/evidences to ascertain how the funds released to ABIR were utilized by them, nor by [redacted]

[redacted]

[redacted]

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6.00: Summary of Observations

6.01	Capacity to pay	Since project is not completed and promoters have abandoned the project the company has no means to pay. Refer Para 5.09 above.
6.02	Diversion of funds	As already commented under the above paragraphs, majority funds have gone to [redacted]. We understand that [redacted] Ltd. has also become an NPA account with [redacted] In absence of books of accounts supported by invoices and evidences, we are unable to comment categorically on the possibility or otherwise of diversion /siphoning of funds.
6.03	Siphoning of funds	
6.04	Capital Structure	There is no increase in share capital after 31-03-2016 against the targeted share capital of Rs.1550 Crores, as per approved means of the finance promoters could bring only Rs.967.78 Crores as on 31-03-2016. It is reported that [redacted] had agreed for conversion of retention money into equity – It is not clear whether it was done or not and if done what is the amount invested by conversion of retention money was not known out of total investment of Rs.170.25 Crores. In the absence of auditor's certificate on infusion of capital by [redacted] towards subscription of shares into the company along with dates of investments and sources of funds along with mode of payment (cash/kind), we are not able to ascertain/match the dates of capital being brought into the company from the bank statements

[redacted]

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		produced to us. We observe from the bank statements that the company has made remittances and also received funds from [redacted] as highlighted in the "Other Key Observations of all bank statements analysis" by way of as separate table.
6.05	**Sales**	Not applicable since project has not commenced operations/commercial production.
6.06	**Escrow/Trust and retention Account (TRA)**	Company has maintained current accounts with [redacted] vide account no 05212320002217 with Banjara Hills branch and the extract of receipts and payments from 14-02-2007 to 31-03-2011 is available in the files, however the statement of current accounts have not been made available for verification. Company also maintained current account with Bank of Scotia vide account no 01213/551110. It was not clear whether these accounts were closed or not subsequent to sanction of loan by [redacted] Since the books of accounts were available, Details of other Bank accounts if any operated by the company are also not available for verification.
6.07	**Verifying receivables& payables**	There are No Debtors, since the unit has NOT started functioning. Since the books of accounts of the company have not been made available, the details of receivables and payables if any is not able to be ascertained. We had requested the bank to take up with the statutory auditors of the company to get (i) the details of receivables and payables (as per the audited

[redacted]

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		financials – since they could not have closed the accounts without those details) during the various period covered by the forensic audit and also (ii) for obtaining Form 26AS (to ascertain the income if any reflected in the income tax site relating to the company) and (iii) the detailed schedule of creditors, debtors(debt balances including advances) (iv) and Capital WIP. However we are informed by the Bank that the statutory auditors M[redacted] have expressed their inability to furnish these details in the absence of authorization from the Company. We suggest that the Bank, being the biggest stake holder can send letters to them with copy marked to ICAI, New Delhi mentioning that the bank(s) are having charge on the assets of the company as the mortgagee/charge holders as well as the major shareholders of [redacted] and have a right to receive the information called for.
6.08	**Finding details of assets of the unit**	Unit was visited by us on 13-12-2018 and 14-12-2018. As proof of visual observations of the fixed assets in the site visited, relevant photos taken during our visit are attached as Annexure 3. Quantum and value of the assets installed are given in the LIE report dated 19-12-2017 given by [redacted] (soft copy sent to bank with our Report). Also refer 5.08 above.
6.09	**Examining chain of transactions**	Detailed bank statements analysis already covered in the report.

[redacted]

[redacted]

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6.10	**Examining stocks/inventory**	During our visit, we wanted to verify the Store rooms and godowns. But they could not be verified as they are locked and no personnel was available to arrange/ ensure verification of the same.
6.11	**Identifying the type of fraud that has been operating, how long it has been operating for and how the fraud has been concealed**	Project got stranded due to many reasons as already explained in the report including inability of the promoters to infuse required equity to take care of the additional funding required for the project. Despite of the Bank supporting by way of sanction and release of sub-debts in lieu of equity, company could not complete even one unit. There were no committed Promoters and they have abandoned the project and all directors except nominee directors have resigned from the board. [As per MCA records today, there is only one director's name is registered that of [redacted] [Annexure 4]. Such resignation en masse from board once the project got stalled; shows the lack of commitment of the promoters towards the project, which has left the lenders with huge NPAs. The bank should consider taking action against all directors on whose presence/ assurances, the credit decision was taken.
6.12	**Identifying the fraudster involved.**	Neither the Bank nor the Statutory Auditors (who have an obligation to report the same in CARO) have reported the case as Fraud. We are also notable to pinpoint any evidence of fraud based on the limited records made available to us for our verification.

[redacted]

[redacted]

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6.13	**Quantifying the financial loss suffered by bank.**	Since no feasible offer for the project appears to have been received, recoverability of the entire outstanding is considered doubtful and also the opportunity cost lost plus the cost of efforts of recovery as required by legal procedures.
6.14	**Gathering evidence to be used in court proceeding.**	The Bank has to take the call on this, based on the attitude of the promoters who have spearheaded the project originally along with other sister/associate concerns financed by the bank(s) on the basis of available records in absence of insufficiency of records produced for our verification.
6.15	**Providing advice to prevent the reoccurrence of the fraud.**	i) Bank should critically evaluate promoter's experience in setting up any projects and their capacity to raise equity required for setting up bigger projects. ii) Bank should insist on upfront infusion of entire equity and obtain personal & corporate guarantees from promoters/promoter companies for ensuring their commitment for timely completion of the project. iii) In any project Financing, Disbursement of funds to be done on the basis of obtaining progress reports from Auditors and Engineers (who should verify and report continually post disbursement to check and co-relate physical as well as financial progress according to

[redacted]

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			milestones also certifying that they are in conformity with contract terms/and as per budgets so that any cost overrun and time overrun can be anticipated and prior steps taken accordingly without undue delays. . Since the funds once committed and released become an obligation from the side of the bankers, the initial project cost should take care of all eventualities mandatorily without leaving anything to chance.
		iv)	Bank should also obtain periodical LIE reports with complete breakup of various packages like BTG, BOP etc., with progress made as shown by "S Curve" reports.

7.00:[redacted] details/data which we had asked but was NOT made available for Forensic review:

i. List of Books of Accounts maintained, both manual and in system.

ii. List of machineries supplied, erected including yet to be installed/commissioned & place of their present location, along with relevant invoice copies based on which payments were released by the bank.(invoices from both the contractors)

iii. Details of Insurance policies taken from inception & the present status of various policies, along with details of assets for which insurance was taken/yet to be taken/renewals to be made.

iv. Details of various tax demands (notices) received & paid.

[redacted]

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[redacted]

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v. Details of Tax deducted at source on payments made on services rendered, along with payee names & date of payment and relevant invoices received.

vi. Details of TDS payments, duties, taxes, other levies paid by the borrower/bank,

vii. TDS quarterly returns filed,

viii. Copies of ITR filed for all financial years from inception along with tax audit reports.

ix. FY 2017-18 audited financials along with audit report. If not made, provisional financials.

x. Form 26AS of [redacted] for all FY from inception, also Form 26AS of guarantors.

xi. Details of statutory dues including pending wages to permanent and temporary workers.

xi. Details of duties paid on imports made.

xii. Details of any trial runs made and reports of relevant outcome, if any.

xiv. Ledger extract of all suppliers of goods, machineries, services at the end of each FY since inception

xv. Statement of account of [redacted] in [redacted] books of accounts (since ABIR is also a constituent of SBI).

xvi. List of Receivables (all debtors)/Advances & Payables (all creditors) at the end of each FY.

xvii. List of outstanding liabilities at the end of each FY (payments due to subcontractors).

xviii. Trial balance at the end of each FY with sub-schedules (should be available with auditors)

[redacted]

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[redacted]

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xix. Accounts backup for all the years from Inception.

xx. Copies of BGs issued.

xxi. Construction budget approved by lenders.

xxii. Copies of Invoices given for disbursements from TRA.

xxiii. Details in respect of 165 credit entries in Bank Statement amounting to Rs.558.70 Crores.

xxiv. Ledger copies of Advance Parties, Suppliers, Contractors and all third party confirmations etc.. .

xxv List of bank account statements, if any or Confirmation that ACPL has not maintained accounts with any other Bank other than the consortium lenders.

xxvi. Income tax returns, Service Tax/VAT returns, tax audit reports, break up of creditors /debtors/capital WIP, Trial balance, sub-schedules for the Schedules given in the financials of the company for the period during which the Statutory auditors have completed the audit of the financials of the company.

Exhibit-VIIIC- RBI Risk Assessment Report (RAR) for the year ended 31st March 2020 in case of [redacted]

1.2 Corporate Governance: The company was governed by a Board of Directors.

(i) The Deed of Covenants as required in terms of Para 72(1)(iii) "Fit and Proper Criteria" of RBI Master Direction issued vide DNBR. PD. 008/ 03.10.119 / 2016-17 dated September 1, 2016 was not availaibale fo[redacted]Nominee Director.

(ii) The Board had met twelve times during the financial year 2019-20.

(iii) No IS audit was conducted during the year 2019-20, there was delay in conducting meetings of the IT strategy committee as detailed in para 4.

(iv) The Group CRO who was also the ED of PTC India Limited (PTC) working in PTC group since May, 2013, was part of one [redacted]p from 2008 to 2013. Before joining [redacted] group, he was also working in PTC India Limited from August 01, 1999 to May 01,2007. PTC India Financial Services Limited had sanctioned a loan of ₹200 crore to [redacted] on March 01, 2011 and additional facility of ₹51 crore on March 16, 2016, when the CRO had joined back PTC India Limited. The account had turned NPA in 2018.

Exhibit-VIIID- RBI RAR report (para 2.2.1.2& Annex-11) for Financial Year ending 31st March 2021 in case of [redacted]

2.2.1.2	i) As per the Operation policy, a checklist of the required documents was required to be filed in the loan files. However, no such checklist was prepared and maintained in all loan files. Further, there was no indexing or numbering of pages in the loan files, which were in multiple volumes for each loan account. This translated to a deficient oversight as, in various instances, documents were not found in the loan files. ii)The company was not conducting site visits even on an annual basis. They were dependent upon LIE (Lenders Independent Engineer) reports of outsourced agencies. No report pertaining to conducting the site visit, was found in any of the cases sanctioned during the period under review.
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	iii)The company had accepted photocopies as KYC documents while sanctioning of loan cases. In no case, the company officials had noted that the photocopies were verified with the original documents.

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Annexure 11: List of Instances

Sr. No.	Para No of RAR / IR	Sample Size	Number of cases having deficiencies ((samples having deficiencies/total samples taken for a particular gap) as a percentage)	Major Examples and Instances relating to Observations in the RAR / IR
1	Para 2.2.1.2 of RAR	17	100	SN | Accounts 1. [redacted] 2. [redacted] 3. [redacted] 4. [redacted] 5. [redacted] 6. [redacted] 7. [redacted] 8. [redacted] 9. [redacted] 10. [redacted] 11. [redacted] 12. [redacted] 13. [redacted] 14. [redacted] 15. [redacted] 16. [redacted] 17. [redacted]

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Index of Exhibits for [redacted] with all the relevant supporting:

Sr.No.	Particulars	Exhibit No.	Page No.
1.	Audit Committee Presentation by Statutory Auditors for September 2021 in case of [redacted]	IXA	216
2.	RBI Risk Assessment Report (RAR) for financial year ending 31st March 2021 in case of [redacted]	IXB	217
3.	Lenders Engineer (LE) Certificate dated 26th April 2019 and 2nd July 2019	IXC	219

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Exhibit-IXA- Audit Committee Presentation by Statutory Auditors for September 2021 in case [redacted]

[redacted]

(Amount in INR crores, as at September 30, 2021)

Loan Amount	Provision	Impairment Reserve	Net amount	Secured Amount
207	75	32	100	135

- The account has become NPA in May 2020 on account of non-servicing of debt by the borrower.
- Project has been on hold due to liquidity crunch within the [redacted] no progress in last 12 months.
- The credit rating agency has assigned 'D' rating upon default in the loan outstanding. Thus, Probability of 100% has been considered in ECL calculation.
- Project costs Rs. 408 crores, costs incurred Rs. 279 crores (68%)
- Sanctioned amount by PFS Rs. 306 crores, Amount disbursed Rs. 207 crores (68%)
- 51% work completed so far, basis technical certificate.
- The management has appointed a third-party independent consultant for running the transparent bidding process for selecting a new developer as PFS nominee till the prescribed timeline of February 15, 2021.
- The Company had received bids from three prospective resolution applicants i.e. [redacted]. Thus, [redacted] was declared as H1 bidder on June 13, 2021 and Indigrid1 as H2 bidder with bid values of Rs 127 crores and Rs 125.19 crores respectively.
- The secured value is based on the revised bid value of Rs 135 crores received from [redacted] on November 4, 2021. The same is used for provisioning from ECL perspective and RBI prudential norms.

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[redacted]

Management's position

- The secured value is based on the revised bid of H1 bidder [redacted]) amounting to Rs 135 crores.
- The current provision as at September 30, 2021 is in compliance with RBI's prudential norms and ECL framework.

Exhibit-IXB- RAR report (para 2.2.1.2& Annex-11) for Financial Year ending 31st March 2021 In case of [redacted]

2.2.1.2	i) As per the Operation policy, a checklist of the required documents was required to be filed in the loan files. However, no such checklist was prepared and maintained in all loan files. Further, there was no indexing or numbering of pages in the loan files, which were in multiple volumes for each loan account. This translated to a deficient oversight as, in various instances, documents were not found in the loan files. ii)The company was not conducting site visits even on an annual basis. They were dependent upon LIE (Lenders Independent Engineer) reports of outsourced agencies. No report pertaining to conducting the site visit, was found in any of the cases sanctioned during the period under review.
	Page 7 of 11
	iii)The company had accepted photocopies as KYC documents while sanctioning of loan cases. In no case, the company officials had noted that the photocopies were verified with the original documents.

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Annexure 11: List of Instances

Sr. No.	Para No of RAR / IR	Sample Size	Number of cases having deficiencies [(samples having deficiencies/t otal samples taken for a particular gap) as a percentage]	Major Examples and Instances relating to Observations in the RAR / IR
1	Para 2.2.1.2 of RAR	17	100	See accounts list below

SN	Accounts
1.	[redacted]
2.	[redacted]
3.	[redacted]
4.	[redacted]
5.	[redacted]
6.	[redacted]
7.	[redacted]
8.	[redacted]
9.	[redacted]
10.	[redacted]
11.	[redacted]
12.	[redacted]
13.	[redacted]
14.	[redacted]
15.	[redacted]
16.	[redacted]
17.	[redacted]

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Exhibit-IXC - Lenders Engineer (LE) Certificates dated 26th April 2019 and 2nd July 2019.

[redacted]

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engineering-in@[illegible]
[illegible]

To

PTC India Financial Services Limited
7th Floor, Telephone Exchange Building
8, Bhikaji Cama Place,
New Delhi-110066

Date: 26 April 2019

YOUR REF: [redacted] [illegible]
OUR REF: [redacted] [illegible]
KIND ATTN: [redacted]

Writer: [redacted]
Direct tel. +91 124 [illegible] - Direct fax +91 124 [illegible]
e-mail: [illegible]
☐ Confidential ■ Restricted ☐ Internal ☐ Public

Subject: PTC India Financial Services Limited/[redacted]ing of LILO of one Circuit of 400 KV D/C Sikar (PGCIL) – [redacted] Transmission Line at [redacted] and associated Bays (Element-1), 400 KV D/C [redacted] and associated Bays at [redacted] Line and associated [redacted]th Drawdown for Rs. 7 Crores

Dear Sir/ Madam,

LE has received Disbursement Request Letter dated 24th April 2019, from the Project Company [redacted] seeking Disbursement of Rs 7 Crores (Rupees Seven Crores only) towards meeting the Project Expenses.

Based on the receipt of the above drawdown request from the Project Company, LE has the following observations:

- Debt approved by the LE vide previous Drawdown Certificate issued in October 2018 is Rs. 189.69 Crores which is in line with the estimated Cumulative Debt of Rs. 188 Crores till December 2018 as per the Construction Budget/Drawdown Schedule. However, the present drawdown request indicates the Project Company has drawn Rs. 197.31 Crores, up to 28.02.2019 as debt for which no approval was obtained from LE
- As per the Construction Monitoring Report issued by the LE in February 2019, the progress of the project is not in line with the scheduled progress. Also, as per the data provided by the Project Company, the revised COD of the Element – 2[redacted] & Element – 3[redacted] is as follows:

[illegible]

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Chartered Accountants

S.No.	Description	Original Scheduled COD	Revised COD (Planned by Project Company)
1	Element - 2	22nd June 2019	November 2019
2	Element - 3	22nd December 2019	March 2020

This indicates a significant delay in the Overall Project. Also, in case of Element-3, the Forest Clearance (Stage-1) has not yet been received. Additionally, the ROW issues pertaining to the Transmission Line in Element-3 are yet to be resolved.

- The latest CA certificate dated 28.03.2019 indicates that the Debt drawn till 28.02.2019 is Rs. 169.87 Crores. However, the notice of drawdown issued by Project Company dated 24.04.2019 indicates the debt value as Rs.197.31 Crores. Hence there is a discrepancy in the information provided by the Project Company.

- Expenditure till October 2018 was Rs. 231.74 Crores. Since then construction progress of Element - 2 and Element - 3 has been almost stagnant. Considering the above, the additional expenditure of Rs. 38.87 Crores (270.61 - 231.74) in LE's opinion is on higher side.

Additionally, the LE has the following observations on the Undertaking Letter dated 24.04.2019 issued by the Project Company:

a) Referring to point no. xiii, the Project Company has mentioned no liabilities have been incurred. However as per CA Certificate dated 28th March 2019, it is observed that there is a Current liability of Rs. 28.62 Crores with the Project Company as on 28.02.2019.

b) Referring to point no. xv, the Project Company has mentioned that the physical progress and expenditure incurred are in line with project implementation schedule and construction budget. From LE point of view, the construction progress and corresponding expenditure of the project is not in line with the schedule. The Project Company has already provided the revised COD, which indicates a significant delay in the overall project.

c) Referring to point no. xvi, the Project Company has mentioned that no part of any drawdown will be utilized to pay preoperative expenses. However, it has been observed that in the "Notice of Drawdown" dated 24th April 2019 issued by the Project Company, it is mentioned that an amount of Rs. 0.5 Crores of the proposed drawdown will be utilized for preoperative expenses.

d) Referring to point no. xxii, the Project Company has ensured drawdown compliance with agreed construction budget. From LE point of view, the construction progress and corresponding expenditure of the project is not in line with the schedule.

As per the above review of the documents submitted by the Project Company in support of drawdown request, the LE does not approve any further disbursement by the Lender for this Project until sufficient progress is achieved and demonstrated by the Project Company to the satisfaction of Lenders and LE.

Name: [redacted]
Position: Project Manager

MD-14C

CNK & ASSOCIATES LLP MUMBAI Chartered Accountants

[redacted]

[redacted]

[illegible]

To

PTC India Financial Services Limited

7th Floor Telephone Exchange Building

8, Bhikaji Cama Place

New Delhi-110066

Date: 2 July 2019

[redacted]

YOUR REF: PO No. [illegible] Dated Oct 13, [illegible]
OUR REF: [illegible]

KIND ATTN: [redacted]

Writer: [redacted]
Direct tel. [illegible] - Direct fax [illegible]
e-mail: [illegible]
☐ Confidential ☒ Restricted ☐ Internal ☐ Public

Subject: PTC India Financial Services Limited/ [redacted] LO of one Circuit of 400 KV D/C [redacted] Line at Babai (RRVPNL) and associated Bays (Element-1), 400 KV D/C Babai-Bhiwani Transmission Line and associated Bays at [redacted], 400 KV [redacted] tion Line and associated Bays at [redacted] th Drawdown for Rs. 25 Crores

Dear Sir/ Madam,

[redacted]

LE has received Disbursement Request Letter dated 24th May 2019, from the Project Company ([redacted]) seeking Disbursement of Rs 25 Crores (Rupees Twenty Five Crores only) towards meeting the Project Expenses.

Based on the receipt of the above drawdown request from the Project Company, LE has the following observations:

1) Debt approved by the LE vide previous Drawdown Certificate issued in October 2018 is Rs. 189.69 Crores which is in line with the estimated Cumulative Debt of Rs. 188 Crores till December 2018 as per the Construction Budget/Drawdown Schedule. However, the present drawdown request indicates the Project Company has drawn Rs. 191.98 Crores. up to 15.05.2019 as debt for which no approval was obtained from LE.

2) As per the Construction Monitoring Report issued by the LE in June 2019, the progress of the project is not in line with the scheduled progress. Also as per the data provided by the Project Company, the revised COD of the Element – 2[redacted]

[illegible]

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& Element – 3 (Rishikesh-Koteshwar Transmission Line) is as follows, which indicates a significant delay in the overall project.

S.No	Description	Original Scheduled COD	Revised COD (Planned by Project Company)
1	Element - 2	27th June 2019	November 2019
2	Element - 3	22nd December 2019	March 2020

3) All Statutory Clearances have been acquired by the Project Company and remain in full force and effect required for present stage of implementation except Forest Clearance for Babai-Bhiwani Line. Non-statutory Clearances like Roads (NH and SH), Railway and Power Line Crossings have been received except Power & Telecommunication Coordination Committee Clearance (PTCC), Defence and Civil Aviation clearances. Stage I approval for Rajasthan portion has been received for Forest on 6th July 2018 (2 nos. locations in Forest and 4 nos. foundations are to be constructed in Wildlife forest) & for Haryana portion on 27th March 2018 (there are no locations falling under Haryana Protected forest) for Babai-Bhiwani Line. LE opines that only after the receipt of Work permission for both Protected Forest and Wildlife area, the execution works can be taken – up. In addition, there are few ROW issues on the Bhiwani side.

4) All Statutory Clearances have been acquired by the Project Company and remain in full force and effect required for present stage of implementation except Forest Clearance for [redacted]. Non-statutory Clearances like Roads (NH and SH), Power Line Crossings have been received except one no. Power Line crossing, Railway crossing and Power & Telecommunication Coordination Committee Clearance (PTCC), Defence and Civil Aviation clearances.

5) Regarding Rishikesh – Koteshwar Line, the 2 nos. of Bays along with around 16 nos. tower location falls under the [redacted] factory. Govt. of India has decided to shut the [redacted] factory and give back the Land to Uttarakhand Govt. As per [redacted]'s letter addressed to Chief Engineer, CEA, [redacted] has granted NOC for the construction of Rishikesh – Koteshwar 400 kV D/C Transmission Line terminating at Rishikesh. However, IDPL has requested CEA to seek NOC from Uttarakhand Govt. since the State Govt. is planning to Construct Convention Centre along with Hill Culture, Yoga and Wellness Centre on the same land. Accordingly, as per CEA letter dated 22nd May 2019, addressed to CEO of [redacted] has informed the Project Company to forward the NOC proposal along with the Map of line traversing through IDPL area to Govt. Of Uttarakhand through Tourism Development Council, Govt of Uttarakhand.

6) As per the CA certificate dated 24.05.2019, the expenditure till 15th May 2019 is Rs. 293.13 Crores. The COD planned by the Project Company for Element-2 has been re-scheduled with a delay of 5 months and that of Element-3 has been re-scheduled with a delay of 3 months. Also, the construction progress of both the Elements are not in line with the planned progress. Considering the above, in LE's opinion, the expenditure of Rs. 293.13 Crores is not in line with the progress of the project till date.

7) Out of the total project cost of Rs. 408 Crores, the project expenditure is Rs. 293.13 Crores till 15th May 2019. The balance expenditure to be incurred on the project is 114.87

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Crores which includes IDC of Rs. 21.35 Crores, Pre-operative expenses of 2.51 Crores, contingency of Rs. 16.4 Crores and EPC cost of Rs. 74.21 Crores.

8) The balance activities on the project include Element-2 commissioning which is planned by the Project Company in November 2019 and Element-3 commissioning which is planned by the Project Company in March 2020. The status of Element 2 & 3 as in May 2019 is as follows.

In Element-2, comprising of [redacted] and 2 nos. Bays at Babai, the balance activities for the Babai-Bhiwani line include erection of 72 nos. towers, completion of 34 nos. foundations (out of a total of 304 nos. towers) and 84 km line stringing (out of a total of 111 km). The balance activities in the 2 nos. bays at Babai include erection of 2 sets of isolators and 6 nos. Bus-post insulators.

In Element-3 comprising of [redacted] and 2 nos. Bays at Rishikesh, the balance activities for the [redacted]lude erection of 106 nos. towers, completion of 86 nos. foundations (out of a total of 106 nos. towers) and 41.5 km line stringing (out of a total of 41.5 km). The sub-contract for the construction of 2 nos. bays at Rishikesh is yet to be awarded by the EPC Contractor.

9) In LE's opinion, the balance funds of Rs. 74.21 Crores *(out of total EPC contract value of Rs. 327.61 Crores which includes Element-1, 2, 3 completion including all permits and clearances including forest clearances)* allocated towards the EPC Contract shall be utilized by the Project Company for the balance works for Element-2 and Element-3. Considering slow progress of the project and the delay in construction of both the elements, the Project Company shall provide the payment plan for the balance funds to be paid to the EPC Contractor until the revised planned COD for Element-2 & Element-3.

10) The Project Company is yet to submit the revised L-2 schedule for the balance work. Based on the revised L-2 schedule and the planned monthly progress of each Element, the Project Company shall forecast the monthly project expenses over the complete duration of the project until the planned completion date of March 2020.

11) The Project Company shall also provide a draw down plan for the balance funds over the entire project duration until the planned commissioning date of the project (i.e. March 2020). This shall also include the details of expenditure that is planned until March 2020 corresponding to the draw down.

12) As per point no. 5 of the Drawdown request, the Project Company has confirmed compliance to the Pre-Disbursement Conditions (PDCs) as set out in the Facility Agreement dated 7th November 2017. However, the following observations are made by the LE as per Clause 19A "Conditions Precedent to Subsequent Drawdowns" of the Common Facility Agreement:

a) As per clause 19A.2.(d) of the Common Loan Agreement, "both before and after giving effect to the Drawdown, no potential event of default or event of default is or will be outstanding under the Financing documents." Based on this, it is observed that there is an Event of Default by the Project Company, i.e. the Scheduled COD of 22.06.2019 for Element – 2 has not been achieved by the Project Company. Also the COD for Element-3 has been re-scheduled to March 2020.

b) As per clause 19A.4, all required clearances shall be obtained by the Project Company. However, till date it is observed that the Project Company is yet to receive the Work permission in the Forest and Wildlife areas and other clearance likes Defence, Aviation and PTCC, for Element-2 of the Transmission line. Similarly, for

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Element-3, the Forest clearance is yet to be received by the Project Company along with other Non-Statutory clearances as mentioned in point no 4) above. Additionally for Element-3, the Project Company needs to take action to obtain NOC for the line traversing through IDPL area.

c) As per clause 19A.9, "the borrower shall have satisfied the Lenders that the physical progress and expenditure incurred as on date is as per the project implementation schedule and construction budget respectively." However, it is to be noted that the Project progress is slow and not as per the Project implementation Schedule. The Project Company has planned to revise the COD of Element – 2 and Element – 3. Also, the expenditure incurred till date is not in line with the project progress.

d) As per clause 19.A.12, "the borrower shall have entered into the Transaction documents, required to be entered as of the relevant Drawdown date". But it is observed that the Sub-Contract for construction of the bays at Rishikesh is yet to be awarded by the EPC Contractor.

13) LE has the following observations on the point no. iv, xiii, xv and xxii as stated in the Undertaking letter dated 24.05.2019 submitted along with the draw down request:

a) Referring to point no. iv, it is observed that there is an Event of Default by the Project Company, i.e. the Scheduled COD of 22.06.2019 for Element – 2 has not been achieved by the Project Company. Also, the COD for Element-3 has been re-scheduled to March 2020.

b) Referring to point no. xiii, the Project Company has mentioned no liabilities have been incurred. However, as per CA Certificate dated 24th May 2019, it is observed that there are Current Liabilities of Rs. 30.56 Crores with the Project Company as on 15.05.2019.

c) Referring to point no. xv, the Project Company has mentioned that the physical progress and expenditure incurred are in line with project implementation schedule and construction budget. From LE point of view, the construction progress and corresponding expenditure of the project is not in line with the schedule.

d) Referring to point no. xxii, the Project Company has ensured drawdown compliance with agreed construction budget. From LE point of view, the construction progress and corresponding expenditure of the project is not in line with the schedule.

As per the review of the documents submitted by the Project Company in support of drawdown request, the LE does not approve any further disbursement by the Lender for this Project until all the details, as mentioned above are provided by the Project Company to the satisfaction of the Lender and LE and the Pre-disbursement Conditions of the Common Facility Agreement are fulfilled.

[redacted]
Position: Project Manager

CC
[redacted]
Essel Infraprojects Ltd. Essel Group
Power – Transmission Group
6th Floor, Plot No-19, Film City Noida, Sector -16A
Uttar Pradesh – 201301

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Index of Exhibits for [redacted]ith all the relevant supporting:

Sr.No.	Particulars	Exhibit No.	Page No.
1.	Extract of the 58th Audit Committee meeting held on 27th September 2019	XA	226

Exhibit-XA- Extract of the 58th Audit Committee meeting held on 27th September 2019.

The instant loan proposed to [redacted] which is a group company) along with outstanding loan amount of Rs 60.15 crores is within the 10% of net owned funds of the limit specified for calculation of Tier I Capital. The Committee was also informed that [redacted] being a subsidiary of PTC India Ltd. (i.e Promoter Company), therefore, it is a group company and the transaction shall be considered as related party transaction. The Committee was also informed that the instant proposal is on arm length basis due to the following factors:-

S.No.	Factors	Remarks
1	Rate of interest	The same is in line with PFS policy for Working Capital Demand Loan and in line with medium term facility given to other borrowers
2	Terms of Loan	Terms of the loan are similar to the medium term loan facilities given to the other borrower
3	Security	PFS is taking priority charge on receivables, as brought out under para i) above. While the deviation is proposed in fees the agenda with respect to the corporate guarantee of promoter and pledge of shares
4	Fees	The same is in line with medium term facility given to the other borrower

The Committee was further informed that the instant transaction meets the criteria of related party transactions and per the risk report, the overall risk has been assessed as moderate.

The Committee considered the various aspects related to the proposal including that [redacted] is a 100% subsidiary of PTC India Ltd. (which is a Promoter Company of both PFS and [redacted]. After discussions, the Committee approved and recommended to the Board the proposal for a medium-term debt of Rs. 100 Crores (Rupees Hundred Crores Only) to [redacted], (which is a related party) as Working Capital Demand Loan, on the terms and conditions as mentioned in the agenda note, along with approval for related part transaction with [redacted] and recommended the same to the Board for its approval.

Index of Exhibits for [redacted] with all the relevant supporting:

Sr.No.	Particulars	Exhibit No.	Page No.
1.	RBI Risk Assessment Report (RAR) for financial year ending 31st March2020 in case of [redacted]	XIA	228
2.	Forensic Audit Report of issued by [redacted] Chartered Accountants for Financial Year 2009-10 to 2017-18 in case of [redacted]	XIB	229

Exhibit-XIA-RAR report for Financial Year ending 31st March2020 in case of [redacted].

4.5.2 Frauds –During the year, two frauds were reported in respect of M/s. [redacted] amounting to ₹100 Crore on May 15, 2019 & M/s. [redacted] amounting to ₹35.44 crore on August 29, 2019. Another fraud amounting to ₹50 crore in reference to M/s. [redacted] Ltd. reported on September 8, 2020.

(Amount in ₹ crore)

Sl. No.	Name of the Borrower	Case details	Amount involved	Provision held	Date of first reporting
1	[redacted]	Duplicate share certificate provided by the company. The fresh case filed on the basis of forensic audit report for ₹105.61 crore	50.00 105.61	32.74 49.21	September 02, 2016 September 08, 2020
2	[redacted]	Misrepresentation by the company in terms of equity contribution and diversion of funds. The entire amount had been written off as on March 31, 2020.	100.00	76.73 & impairment reserve 23.27	May 15, 2019
3	[redacted]	The company was ordered to go into liquidation by NCLT pursuant to an application filed by an operational creditor. The company had already written off the entire principal amount of ₹95.44 crore.	131.37	95.44	August 29, 2019

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Exhibit-XIB- Forensic Audit Report of issued by Kirtane and Pandit LLP, Chartered Accountants for Financial Year 2009-10 to 2017-18 in case of [redacted]

[redacted] FY 2017-18 *Strictly Private and Confidential*

10. Conclusions

10.1 [illegible]

As per general information available in public domain, average cost of setting of power plant is around INR 500 lakhs per megawatt. For 35MW power plant cost will be equal to INR 17500 lakhs. Since the subject power plant was being used by SIL value of the plant could be different than cost. As per the Asset Transfer Agreement entered into between [redacted] for hiving off 35MW power plant to [redacted] dated 13th November 2009 the total consideration for asset transferred was INR 23852. Therefore, there is possibility that value of assets transferred is overstated.

Hiving-off of 35MW power plant was structured to generate cash for SIL to the extent of INR 18914 lakhs rather than strategic business transaction. This is further established by the fact that necessary formalities for [redacted] operating power plant could not be completed before end of financial year 2011. Hence, the same power plant was given back to [redacted] under operating lease arrangement in the year 2010-11 (Refer paragraph 1.1 and 1.7)

10.2 [illegible]

[redacted] has invested INR 45250 lakhs (INR 34512.82 Equity + INR 10735.08 Premium) over the period from 2009 to 2018. Out of total investment of INR 45250 lakhs, INR 8354 lakhs are other than cash out of asset transfer agreement. Based on the events stated and events observed in Paragraph 1.2 and 2 it is estimated that the source of INR 23716 Approximately is possibly not out of [redacted]'s own resources. (Refer paragraph 1.2 and 2)

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[redacted]
FY 2009-2010 to FY 2017-18 Strictly Private and Confidential

[illegible]

Details and information gathered about the EPC contractors raises serious doubts about transparency and bona-fides about 4 EPC contractors. SPL has entered into various transactions with these EPC contractors which do not have direct nexus to the contracts awarded to them
(Refer paragraph 3.1 to 3.3)

[illegible]

Review of sampled transactions with EPC contractors revealed that the material was sourced fr[redacted]lding Company o[redacted]hennai and was delivered/un-loaded in SIL's Raichur plant. However payment has been done by SPL. Further it is observed that EPC contractors have loaded their profits on purchase price from EIL. Value involved in transactions reviewed amounted to INR 281.95 lakhs
(Refer paragraph 3.4 and 3.5)

[illegible]

[redacted] has advanced inter corporate deposit [redacted] amounting to INR 2000 lakhs. SPL also has advanced loan amounting INR 313 lakhs [redacted] one of the EPC contractors. Advancement of such loans tantamount to diversion of funds availed from lenders for the project
(Refer paragraph 3.2 and 3.6)

[illegible]

[redacted] accepted liability of [redacted] amounting to INR 370.24 lakhs pertaining to Indonesian coal purchase transaction from [redacted] Private limited in October 201[redacted] has made some payments to [redacted] against the said liability. Therefore, assumption of third party liability and payment thereof amounts to diversion of project loans
(Refer paragraph 4)

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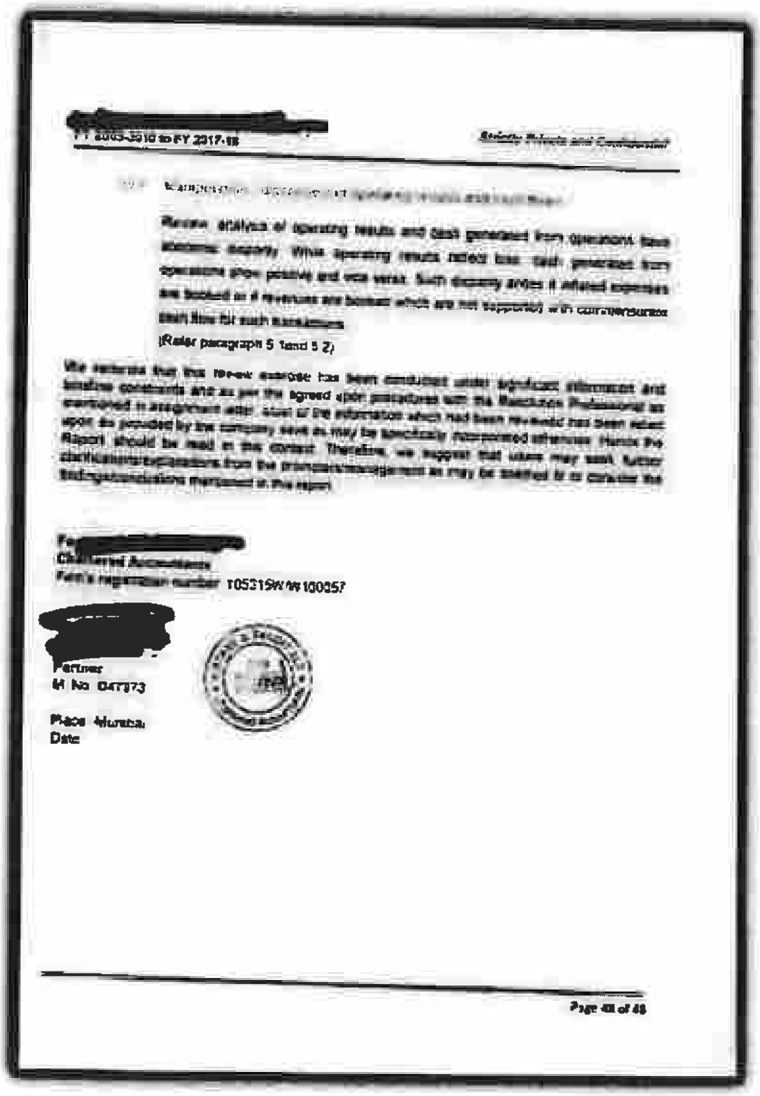

[redacted]
FY 2009-2010 to FY 2017-18 — *Strictly Private and Confidential*

[illegible]

Review analysis of operating results and cash generated from operations have economic disparity. While operating results reflect loss, cash generated from operations show positive and vice versa. Such disparity arises if inflated expenses are booked or if revenues are booked which are not supported with commensurate cash flow for such transactions.

(Refer paragraph 5.1 and 5.2)

We reiterate that this review exercise has been conducted under significant information and timeline constraints and as per the agreed upon procedures with the Resolution Professional as mentioned in assignment letter. Most of the information which had been reviewed has been relied upon as provided by the company save as may be specifically incorporated otherwise. Hence the Report should be read in this context. Therefore, we suggest that users may seek further clarifications/explanations from the promoters/management as may be satisfied to consider the findings/conclusions mentioned in this report.

Fo[redacted]
Chartered Accountants
Firm's registration number 105319W/W100057

[redacted]
Partner
M No 047973

Place Mumbai
Date

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Index of Exhibits fo[redacted]d with all the relevant supporting:

Sr.No.	Particulars	Exhibit No.	Page No.
1.	Internal audit Report for Quarter-1 of financial year 2021-2022 in case o[redacted]	XIIA	233
2.	RBI Risk Assessment Report (RAR) for financial year ending 31st March 2021 in case of[redacted]	XIIB	234

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Exhibit-XIIA- Internal audit Report for Quarter-1 of financial year 2021-2022 in case o[redacted].

7. Controls around computation of expense provision needs to be strengthened

Q1

Review of process around quarterly provisioning reveals the following :

I. There is a need to strengthen the maker-checker controls while creating the provisions in the books of accounts.

II. Excess computation of provision for [illegible] fee:
Noted an instance wherein Company has created provision of INR [illegible] Cr. instead of actual expenditure amounting to INR [illegible] Cr. for [illegible] fee [redacted] leads to excess provision of INR [illegible] Cr. as on 31st March'21.

For details, refer annexure 3

Risk(s)

- Excess provision lead to [illegible] computation of [illegible] for the FY 2020-21.

Recommendation

- Maker-checker process while creation of provisions need to be strengthened.
- Excess provision accounted for shall be reversed on timely basis.

Management Comments

Provision was made equivalent to advance payment made to [redacted], as per bill received. Basic amount was Rs. [illegible] crore and GST Rs. 0.17 crore. PFS being NBFC can claim 50% of GST amount. Excess provision of Rs 8 lacs has been reversed while settling the advance amount in Q2 22.

Responsibility	Finance	Target Completion Date	Implemented

Exhibit-XIIB- RBI Risk Assessment Report (RAR) for financial year ending 31st March 2021 in case of [redacted]

2.2.1.2	i) As per the Operation policy, a checklist of the required documents was required to be filed in the loan files. However, no such checklist was prepared and maintained in all loan files. Further, there was no indexing or numbering of pages in the loan files, which were in multiple volumes for each loan account. This translated to a deficient oversight as, in various instances, documents were not found in the loan files. ii)The company was not conducting site visits even on an annual basis. They were dependent upon LIE (Lenders Independent Engineer) reports of outsourced agencies. No report pertaining to conducting the site visit, was found in any of the cases sanctioned during the period under review.
	Page 7 of 11
	iii)The company had accepted photocopies as KYC documents while sanctioning of loan cases. In no case, the company officials had noted that the photocopies were verified with the original documents.

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Annexure 11: List of Instances

Sr. No.	Para No of RAR / IR	Sample Size	Number of cases having deficiencies / (samples having deficiencies/total samples taken for a particular gap) as a percentage)	Major Examples and instances relating to Observations in the RAR / IR
1	Para 2.2.1.2 of RAR	17	100	S N / Accounts 1. [redacted] 2. [redacted] 3. [redacted] 4. [redacted] 5. [redacted] 6. [redacted] 7. [redacted] 8. [redacted] 9. [redacted] 10. [redacted] 11. [redacted] 12. [redacted] 13. [redacted] 14. [redacted] 15. [redacted] 16. [redacted] 17. [redacted]

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Management Responses (including exhibits) to CNK Draft Report dated 24 October 2022

Sr No.	Name of Borrower
I.	[redacted]
II.	[redacted]
III.	[redacted]
IV.	[redacted]
V.	[redacted]
VI.	[redacted]
VII.	[redacted]
VIII.	[redacted]
IX.	[redacted]
X.	[redacted]
XI.	[redacted]
XII.	[redacted]
XIII.	[redacted]
XIV.	[redacted]
XV.	[redacted]

I. [redacted]

A. Modifications in critical sanction conditions post sanction approval from Board of Directors (BOD):

PFS Response :

The observation is out of scope of Forensic due diligence done by CNK. As per the agreed Engagement letter, CNK was required "*to ascertain any non-disclosure of relevant information (including information which is incorrect on financial reporting, loan recovery process and in relation to any fraud established through forensic audit report on any particular account) to the Audit Committee / Board, which will have Material Impact on the financial of PFS. CNK was also required to Assess and report about implications of such missing information, if any identified, on recovery process and financial reporting of the Company for the stated period (i.e. 01st April 2019 to 31st March 2022).*

The observation of CNK is not related to financial reporting, loan recovery process and in relation to any fraud. Moreover, the sanction being referred to was accorded in 2014, (way before the period as per engagement letter). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below.

The loan account was sanctioned by then PFS Board in its meeting dated 28th January 2014. As per minutes of Board meeting, MD or his authorized representative was authorised to approve and amend general terms and conditions including special conditions - pre commitment/pre-disbursement and other conditions of debt sanction as may be necessary.

The terms and conditions mentioned in the CNK observation were duly approved by the then MD&CEO [redacted] (after due deliberation and justification proposed by relevant department), the same were as per Delegation of Power of the Company.

The rationale for the amendment was explained in the approval note, which was shared with CNK. However, regrettably, these facts have not been included in CNK's report.

The above mentioned clauses were duly approved in Feb 2014, through the then MD&CEO (after due deliberation and justification proposed in the amendment note) as per Delegation of Power (DOP) of the Company.

These amendments were done by PFS as per the delegation of power of Company only and these business decisions have been taken in the interest of the project based on the then prevailing market dynamics. Further, these management-approved amendments have been informed/ apprised to the Board for information in its quarterly meetings.

Please refer to **Exhibit 1A** for details on the justifications proposed to MD&CEO prior to his approval.

CNK has not understood the matter. As per agreed scope, CNK was required to have preliminary discussions with PFS management on weekly basis which was not done by CNK. Preliminary discussions as per the terms of Engagement letter would have helped CNK in detailed understanding on the matter.

Financial impact on PFS loan account

As at March 31, 2022, PFS has provision amounting to Rs. 125 crore i.e. 100% of loan outstanding, therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.

B. Modification regarding initial disbursement date vs loan documentation date:
PFS Response :

The observation is out of scope of Forensic due diligence done by CNK. As per the agreed Engagement letter, CNK was required "*to ascertain any non-disclosure of relevant information (including information which is incorrect on financial reporting, loan recovery process and in relation to any fraud established through forensic audit report on any particular account) to the Audit Committee / Board, which will have Material Impact on the financial of PFS. CNK was also required to Assess and report about implications of such missing information, if any identified, on recovery process and financial reporting of the Company for the stated period (i.e. 01st April 2019 to 31st March 2022).*

The observation of CNK is not related to financial reporting, loan recovery process and in relation to any fraud. Moreover, the sanction being referred to was accorded in 2014 , (way before the period as per engagement letter). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below.

The referred clarification was only applicable for one security covered by para B (iii) b, which is missing in the observation. The security mentioned at para B(iii)b is "Balance 3% shares to be pledged within 60 days from loan documentation" (that is the pledge of [redacted]." and as mentioned by the compliance of which was modified from 61st day from the initial disbursement to 61st day from the loan documentation date which is in favor of PFS as the loan documentation date is prior to loan disbursement date hence the penal charges (if any) will also be levied to cover the period from Loan document date to Loan disbursement date. **(Exhibits 1B & 1C)**

Before execution, MD approval obtained by the legal team and MD is competent authority as per the Board approved delegation of power.

CNK has not understood the matter. As per agreed scope, CNK was required to have preliminary discussions with PFS management on weekly basis which was not done by CNK. Preliminary discussions as per the terms of Engagement letter would have helped CNK in detailed understanding on the matter.

Financial impact on PFS loan account

As at March 31, 2022, PFS has provision amounting to Rs. 125 crore i.e. 100% of loan outstanding, therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.

C. Loan considered as Project loan (as against term loan as originally sanctioned) for purpose of grant of extension of timeline for scheduled COD

PFS Response :

The observation is out of scope of Forensic due diligence done by CNK. As per the agreed Engagement letter, CNK was required "*to ascertain any non-disclosure of relevant information (including information which is incorrect on financial reporting, loan recovery process and in relation to any fraud established through forensic audit report on any particular account) to the Audit Committee / Board, which will have Material Impact on the financial of PFS. CNK was also required to Assess and report about implications of such missing information, if any identified, on recovery process and financial reporting of the Company for the stated period (i.e. 01st April 2019 to 31st March 2022).*

The observation of CNK is not related to financial reporting, loan recovery process and in relation to any fraud. Moreover, the sanction being referred to was accorded in 2014 , (way before the period as per engagement letter). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below.

PFS has provided Rs 125 cr bridge loan as a sub-limit of long-term project debt which had already been sanctioned by the Board of PFS vide 57th Board Meeting dated 28th January 2014.

As per the Board agenda for bridge debt, it was proposed that the bridge loan facility would be converted into long-term debt from the disbursement of long-term lenders. In view of the fact that PFS was supposed to be the long-term lender at the time of financial closure, PFS had considered for the extension in SCOD during its bridge loan tenor. Further original SCOD was also provided as per the terms and condition in the agenda note at the time of sanction by the Board.

Extract of the Board agenda is attached as **Exhibit 1D.**

It is to clarify that the extension has been duly approved by Board, which is the competent authority and the Extract of the Board minutes is as given below (refer **Exhibit 1E**):

PFS used the bridge debt facility as an instrument to fund the project *for meeting the capital expenditure for the project in order to continue the project development till first disbursement from long term lenders. The development activities proposed under bridge loan facility mainly include land acquisition, construction of facilities for the construction power, access road, boundary wall, labour colony etc.*

Thus, considering the above facts presented to the Board, the SCOD extension was considered by PFS since the bridge debt sanctioned by PFS was towards Project Finance only which was to be converted into long term debt at the time of financial closure.

While sanctioning of Bridge loan, the SCOD was defined as July 2016 and when the agenda was taken for extension of timeline of repayment of bridge loan the SCOD was also extended upto March 2019 based on the delay that has been taken place in the project implementation and the same was approved by the Board.

It is to be clarified that in project finance/loan, when a financial assistance is being provided, it is in the form of long term loan. We understand that CNK misunderstood project finance/loan and term loan as different products / sanctions to the borrower company. Further, when a financial assistance is being provided in form of sub-limit, then any change in any term of either sub-limit or main limit would be having automatic effect on the term of dependent limit.

Thus, considering the above facts presented to the Board, the SCOD extension was considered by PFS since the bridge debt sanctioned by PFS was towards Project Finance only which was a to be converted into long term debt at the time of financial closure.

CNK has not understood the matter. As per agreed scope, CNK was required to have preliminary discussions with PFS management on weekly basis which was not done by CNK. Preliminary discussions as per the terms of Engagement letter would have helped CNK in detailed understanding on the matter.

Financial impact on PFS loan account

As at March 31, 2022, PFS has provision amounting to Rs. 125 crore i.e. 100% of loan outstanding, therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.

D. Comments on Due Diligence and Legal report not considered by PFS:

PFS Response :

The observation is out of scope of Forensic due diligence done by CNK. As per the agreed Engagement letter, CNK was required "*to ascertain any non-disclosure of relevant information (including information which is incorrect on financial reporting, loan recovery process and in relation to any fraud established through forensic audit report on any particular account) to the Audit Committee / Board, which will have Material Impact on the financial of PFS. CNK was also required to Assess and report about implications of such missing information, if any identified, on recovery process and financial reporting of the Company for the stated period (i.e. 01st April 2019 to 31st March 2022)*

The observation of CNK is not related to financial reporting, loan recovery process and in relation to any fraud. Moreover, the sanction being referred to was accorded in 2014, (way before the period as per engagement letter). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below.

The Land was on lease basis (not on ownership basis) from IDCO which is a govt of Orissa department. The fact that it was a leased basis was also mentioned in the Agenda and it was approved by the Board.

It was also informed to PFS that the Borrower has already applied for seeking NOC in favour of term lender (PFC) in anticipation of disbursement by the term lender and hence NOC can't be issued twice in favour of different lenders (PFS Loan was a temporary Loan) for same security at same time. (refer **Exhibit 1F**)

Knowingly that, thus to protect interest of PFS and to ensure that Borrower doesn't create mortgage with any other lenders for similar temporary financing, PFS took mortgage of lands by constructive delivery by deposit of the original lease deed.

The statement of CNK that the mortgage is the only basic security is factually incorrect as the loan being in nature of bridge (i.e. short term till the disbursement of long term lenders start) has many other securities such as : hypothecation of movable property of the project, pledge of shares of [redacted] pledge of shares of [redacted] held by [redacted] (Holding Company), Corporate Guarantee (CG) of the promoter company i.e. [redacted] and Promoter Director's Personal Guarantee (PG). Further, [redacted] also provided post-dated cheques (PDCs) covering the entire loan amount.

Financial impact on PFS loan account

As at March 31, 2022, PFS has provision amounting to Rs. 125 crore i.e. 100% of loan outstanding, therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.

E. Non verification of No-Default certificate from Statutory Auditor of [redacted]

PFS Response :

The observation is out of scope of Forensic due diligence done by CNK. As per the agreed Engagement letter, CNK was required "*to ascertain any non-disclosure of relevant information (including information which is incorrect on financial reporting, loan recovery process and in relation to any fraud established through forensic audit report on any particular account) to the Audit Committee / Board, which will have Material Impact on the financial of PFS. CNK was also required to Assess and report about implications of such missing information, if any identified, on recovery process and financial reporting of the Company for the stated period (i.e. 01st April 2019 to 31st March 2022)*

The observation of CNK is not related to financial reporting, loan recovery process and in relation to any fraud. Moreover, the sanction being referred to was accorded in 2014 (way before the period as per engagement letter). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below.

Before sanction of loan, PFS checked the CIBIL of the borrower, its promoter and directors and found that these parties do not appear in the list of Suit Filed Accounts (Wilful defaults) cases. Further, the condition mentioned was neither part of board sanction nor part of PFS sanction letter. The condition was inserted in loan documents as a matter of abundant caution. PFS received certificate from statutory auditor of Borrower Company and promoter of company of Borrower Company in relation to this fact. (attached as **Exhibit 1G)**

The snapshot of board agenda note mentioning CIBIL and statutory auditor certificate is given below (attached as **Exhibit 1H**)

Hence, based on CIBIL reports , statutory auditor certificate, no stipulation of such condition in board sanction, regularity in payment of dues by the borrower and its promoters to its lenders and clearance of all statutory dues except some amount for TDS, PFS has processed the request of the borrower. There were no deliberate intentions in relation to above observation. Will impart additional procedures going forward to mitigate such kind of observations. However, PFS duly checks the list of defaulters in internally and the status is also informed in the agenda to the Board. In the instant case the agenda for the board meeting dated 28th January 2014 covers the same. (refer **Exhibit 1I**)

Financial impact on PFS loan account

As at March 31, 2022, PFS has provision amounting to Rs. 125 crore i.e. 100% of loan outstanding, therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.

F. Delays in attending to hearings of Hon'ble Supreme Court leading to a delay in resolution of the account:

PFS Response :

An Initial OTS offer was received from [redacted] the holding company of [redacted] May 2019 and the offer was without any EMD amount. Continuous attempt was made by PFS for improvement of the OTS offer. Further, a legal opinion was also obtained to protect PFS's interest with regard to the OTS offer submitted by [redacted] particularly with respect to ongoing case i.e. u/s 138 and NCLT / NCLAT.

As per the legal opinion from [redacted] obtained through office of head legal and company secretary Sh. [redacted] Legal Counsel of PFS, inter-alia, stated that *"There is strong merit in the case of PFS, as it has not realized any value from the shares on which the pledge was invoked. If PFS's argument is accepted by the Hon'ble Supreme Court, the RP would then accept the entire claim of PFS as a financial creditor, and PFS would become a part of the COC of [redacted] with majority voting share. However, even after becoming a member of the COC, the amount which PFS would ultimately receive as against its outstanding would depend on the resolution or liquidation of [redacted] as the case may be. It is also important to keep in mind that as IBC is a recent legislation, not many precedents are available, and there can thus be no certainty as to the decision of the Hon'ble Supreme Court in the appeal pending before it. In this context, PFS needs to ascertain the possibility of recovering its dues."* (refer Exhibit 1J)

Keeping in view of the aforesaid legal opinion, experience/knowledge of settlement in other cases, it is clear that it would have been difficult to achieve more than about 20% recovery of dues through IBC process. This is because IBC was a recent legislation and not many precedents were available. It is to mention that PFS recoveries through IBC have not been very encouraging for stalled thermal power projects. For stalled power projects the recovery through IBC have only been in the range of 10-20% of Principal outstanding. On the other hand, PFS has been successful in recovering on average 60%-80% of its Principal outstanding through One Time Settlement (OTS). It may also be noted that in this case, PFS team is successful in negotiating 72% of principal outstanding which is more than industry average for stalled thermal projects.

At that point of time PFS had already got adverse ruling in NCLT in the instant case and its appeal in NCLAT against the ruling of NCLT also got rejected. In case PFS would have lost the case in Hon'ble Supreme Court, it would have been difficult for PFS to recover the dues. It would have also led to weakening of cheque bouncing case of Rs 125 cr. under section 138 lodged by PFS against the company. As the OTS offer was put up by the Promoter, therefore PFS was in process to get the OTS offer improved. In view of the above PFS did not object to any adjournment taken by the borrower in anticipation of better chances of recovery.

Further regarding the allegation that Board of Directors were not apprised of such adjournments, is incorrect and the same was informed to the Board by legal unit in its legal case updates submitted to Board on regular basis.

It is also pertinent to mention that PFS management has fought the matter at every legal forum like NCLT, NCLAT & Supreme Court to protect PFS's interest. The effort put by PFS management led to a decision by Hon'ble Supreme Court in the favour of PFS.

It is further mentioned that this judgement from Hon'ble Supreme Court is a landmark decision in all matters where borrowers attempted to evade their liability by asserting that mere invocation of dematerialised pledged shares resulted in discharge of debt.

In fact PFS needs to be accolade for such landmark Judgement from Hon'ble Supreme Court.

Nevertheless, it may be noted that despite of judgment of Hon'ble Supreme Court pronounced in May 2022 in favor of PFS, though RP has given a seat to PFS in the CoC of resolution process of the instant account, NCLT is yet to convene any hearing for the loan account for last the 4 months. Thus, it is evident that addressing stress through legal route is a longish process without any timeline and without any clarity on the amount to be received against the loan.

CNK has not understood the matter. As per agreed scope, CNK was required to have preliminary discussions with PFS management on weekly basis which was not done by CNK. Preliminary discussions as per the terms of Engagement letter would have helped CNK in detailed understanding on the matter

Financial impact on PFS loan account

As at March 31, 2022, PFS has provision amounting to Rs. 125 crore i.e. 100% of loan outstanding, therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.

G. Delayed presentation of One Time Settlement offer (OTS) to Board:

PFS Response :

An initial OTS offer was received from MHPL the holding company of [redacted] in May 2019 and the offer was without any EMD amount. Continuous attempt was made by PFS for improvement of the OTS offer. Further, a legal opinion was also obtained to protect PFS's interest with regard to the OTS offer submitted by [redacted] particularly with respect to ongoing case i.e. u/s 138 and NCLT / NCLAT.

As mentioned above, an OTS offer was received from [redacted] the holding company in May 2019, however, the same was without any EMD amount. Further, as mentioned above in reply to point no. "G" of CNK, PFS tried to improve upon the OTS offer knowingly that PFS already had adverse ruling from NCLT, the appeal against the order was turned down by NCLAT and in case PFS would have lost in Supreme Court the chances of recovering of dues would have suffered.

In the meantime, PFS was also in the process of finalizing the OTS policy as in the 1st meeting of "Group of Directors" (GOD) held on 6th Nov'2019 while discussing on an OTS proposal of another account, it was desired that "PFS may prepare the guidelines to be followed for any settlement proposal and the same may be presented in the next meeting of the GOD for their review." Admittedly, no further OTS proposal could have been placed without the approval of the OTS policy by the Board. The OTS policy of PFS was put up in the GOD's 2nd meeting held on 4th Dec'2019, then in the next meeting held on 1st Feb'2020 after incorporating the suggestion made in the earlier meeting. After recommendation from GOD the OTS policy was approved by PFS board only in the month of June 2020. (refer **Exhibit 1K**)

8th May 2019	Receipt of OTS offer from the promoter of [redacted] without EMD
6th Nov 2019	Group of Directors (GOD) a sub-committee of Board directed to prepare an OTS policy
4th Dec'2019	OTS Policy submitted in 2nd meeting of "Group of Directors" (GOD)
1st Feb'2020	OTS Policy re submitted in the 3rd meeting of GOD incorporating the suggestions made in the earlier meeting. GOD cleared the policy for submission to the Board for approval
23rd June 2020	OTS Policy approved in the 127th Board meeting
27th Jul 2022	The promoter o[redacted]ubmitted OTS proposal along with EMD amount

8th Sept 2020	OTS proposal submitted to CRO
12th Oct 2020	Risk Report received from CRO
17th Oct 2020	Agenda on OTS Proposal of [redacted] loan account put up in the 1st Business Committee, proposal deferred for re negotiation of amount and other terms
16th Dec 2020	Agenda re-submitted for OTS proposal of [redacted] account. Agenda deferred pending the discussion on legal opinion received by PTC India Ltd
2nd March 2021	Agenda re-submitted for OTS proposal of [redacted] account with improvement in payment terms. Agenda again deferred for further re negotiation
17th May 2021	Report of IDs discussed in 133rd Board meeting and Board interialia desired that OTS offer for [redacted] may be taken after response is received from RBI on the matter related to suspected fraud and receipt of conclusive forensic audit report
20th Sept 2021	Status update and seeking direction for further action submitted in the 6th Business Committee, wherein Committee stated that in OTS matter Board can only decide further course of action if any.
24th May 2022, 25th June 2022, 16th July 2022	As directed by Business Committee, status update on the action taken on the directions given by the Board and suitable guidance submitted to Board meetings. Agenda item have been deferred in these Board meeting

After protracted discussion, [redacted] submitted revised OTS offer (with improved payment terms) along with EMD amount in the month of July 2020. Subsequently, an Agenda note was put up to the Risk unit on 8th of September 2020. After issuance of risk report on 12th October 2020 (refer **Exhibit 1L**), the agenda was put up in the Business Committee meeting held on 17th October 2020 (refer **Exhibit 1M**). It is pertinent to mention that from March 2020 due to pandemic there was lock down announced and the OTS proposal was processed and agenda note prepared under adverse working situation when everybody was afraid to come to the office. However, the same do not find any mention in the CNK report.

In any case, it can therefore be seen from the aforesaid that from the date of submission of OTS with EMD on 27th July 2020, the agenda on OTS offer was put up for the consideration in the 1st meeting of Business Committee held on 17th October 2020, i.e., within two and half months from the date of receiving of OTS offer including EMD which also included one month time taken by CRO to issue the risk report.

It is important to mention that though the OTS proposal was put up to the Sub Committee of Board in the month of Oct'2020 but till date (even after 24 months) no decision has been taken by the Board on the merit of the proposal apart from referring it to RBI as "Suspected Fraud" based on an inconclusive forensic audit wherein the auditor himself has claimed that it couldn't carry out the detailed forensic procedures due to non-availability of documents. As the recovery of dues through legal process is time consuming with no time frame and with no clarity on the amount which could be recovered, a decision on the OTS proposal with a clear definitive amount with PFS, would have led to reduction in NPA ratios alongwith boosting the income of PFS.

It is pertinent to note that in line with the decision of 6th Business Committee held on 20th Sep 2021 agenda note for the information on the status update and suitable guidance for further action on the matter from the Board, was placed to Board in the meeting held in the month of May, June, July, August & September 2022, however the same got deferred in each of the Board meeting. (refer Exhibit 1N)

From the above it can be seen that there was not much delay in above proceedings relating to OTS proposal to the business committee.

CNK has not understood the matter. As per agreed scope, CNK was required to have preliminary discussions with PFS management on weekly basis, which was not done by CNK. Preliminary discussions as per the terms of Engagement letter would have helped CNK in detailed understanding on the matter.

Financial impact on PFS loan account

As at March 31, 2022, PFS has provision amounting to Rs. 125 crore i.e. 100% of loan outstanding, therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.

H. Delayed presentation of Forensic Audit report to the Board of Directors:

PFS Response :

PFS had advanced a loan to [redacted] which became a Non-Performing Asset in March 2017. After the account became NPA, PFS took various steps to ensure recovery of the outstanding and also commenced a forensic audit.

The fact that the forensic auditor appointed by PFS submitted an inconclusive report, admittedly prepared without following applying the detailed and comprehensive forensic procedures due to lack of adequate documents from [redacted] and its Resolution Professional (who had been appointed by the National Company Law Tribunal under the IBC to manage the affairs of [redacted] has not been mentioned by CNK. CNK has also not mentioned about the disclaimer given by the Forensic Auditor (refer **Exhibit 1O**). The fact that Corporate insolvency resolution process of [redacted] under Insolvency and Bankruptcy Code ("IBC") commenced on 18.01.2018 has also not been mentioned by CNK. Admittedly, with the commencement of insolvency proceedings in the instant account the Resolution Professional (RP) refused to share documents with the Forensic Auditor appointed by PFS on the pretext that PFS is no more a lender to the company and did not gave seat to PFS on the "Committee of Creditors" (CoC). Therefore, the report had suggested that steps should be taken to replace the Resolution Professional and enforcing a forensic procedure through intervention of NCLT, however, the same was hampered by the fact that PFS was not given a seat in the CoC and unless the same was done, PFS had no means to enforce the suggestions of the Forensic Auditor. PFS had obtained the views of Hon'ble Mr. Justice (Retd.) [redacted] (erstwhile Chief Justice of India) to determine if fraud was made out from the forensic report, who had opined that no case for reporting of fraud had been made out (refer **Exhibit 1P**).

Regarding violation of section 447 / 448 to Companies Act, it is pertinent to mention CNK has conveniently quoted the extract from the legal opinion taken by PTC India Ltd and simultaneously did not bother to look into the legal opinion taken by PFS management on the matter from [redacted], Senior Advocate. As per the legal opinion of Senior Advocate [redacted] (refer **Exhibit 1Q**), "*the fraud or suspicion of fraud has to be in relation to the affairs of the company or the body corporate itself, which is the subject matter of forensic audit. In the present case the forensic audit was called for, relating to the affairs of [redacted] and not PFS and therefore in my opinion, the said forensic audit report cannot and does not disclose any fraud in the affairs of PFS itself. Hence there is no question of Section 447 being attracted in case of PFS. I now come to the final issue as to whether the non- disclosure of the said financial reports to RBI is a violation of Chapter IV or any other part of Monitoring of frauds in NBFC's (Reserve Bank) Directions, 2016.*"

[redacted] further opined that "*For this kind of reporting of frauds, there has to be conclusive evidence/ material in the hands of the NBFC, which demonstrate beyond reasonable doubt, the frauds committed by any unscrupulous borrower of the NBFC. The same consideration applies to the financial irregularities such as diversion of funds or any other criminal negligence on the part of the borrowers. The forensic audit report of GSA brings out no such conclusive evidence or material by which PFS, as an NBFC, reaches an irreversible conclusion, that a fraud has been committed by it unscrupulous borrower namely* [redacted] *As the report seriously lack the evidentiary value, it will not be appropriate on the part of the NBFC to* *report such unsubstantiated observation of fraud or any other financial irregularities on the part of [redacted] as a borrower of PFS, as NBFC. Hence it could not and rightly so have not filed form FMR-1 particularly Part-B, with the Reserve Bank of India. As PFS itself was not convinced about the authenticity of the report, there was no question of reaching the confirmed opinion that fraud has been committed by one of its borrowers namely [redacted].*

Part-A of FMR-1 relates to the frauds in PFS. As I have already expressed my opinion that there is no fraud in the affairs of PFS, there is no question of reporting to its Board of Directors or any Committee thereof. Hence there was no requirement of filing FMR-1 for the frauds in the company itself namely PFS as NBFC. In view of the aforesaid, I am of the opinion that there is no fraud in PFS or in [redacted] and hence there is no infraction of any law, rule and regulation on the part of PFS, as NBFC"

It is also pertinent to mentioned that Sh. [redacted] the then CRO of PTC India Ltd has taken a legal opinion on his own on a matter related to PFS without informing / seeking necessary documents from PFS. It is intriguing to note that CNK has not highlighted the facts that such opinion was obtained by CRO PTC India Limited, being a significant arm's length matter and based on incomplete facts and records of the matter. It may not be out of context to mention that RBI raised supervisory concerns and inspection observations regarding the role of CRO PTC and Ministry of Power directed the Company to resolve the concerns raised by RBI and adhere to arm's length.

It is pertinent to note that there is no violation of any SOP of PFS as there is no requirement of presenting the forensic audit report to the board or to any sub committee of the board. (whether fraud is proven or not). In the past also wherever, a fraud has been established through a forensic audit the report has not been presented to the board and only it has been informed to the board regarding the fraud in the account which is in line with the RBI directions.

Further, RBI directions says that in case no fraud is detected the same is not to be reported. In the instant case, , the outcome of the forensic audit remained inconclusive as the auditor could not apply detailed forensic procedures due to limited information and therefore there was no requirement to report it to the Board also (refer **Exhibit 1R**).

It is further mention that CNK has not referred to entire discussions of the Board meetings. CNK has referred to the discussions of 130th Board meeting held on 19th Dec'2020 when the forensic report was first discussed in the Board meeting but have not mentioned from the MoM of the subsequent 133rd Board meeting held on 17th May 2021 (refer **Exhibit 1S**) during which the Board took an informed decision based on the report from the Committee of the IDs formed to look into the matter of Forensic Audit in the instant account. It is pertinent to mention that the PFS Board has constituted a committee of IDs which in their report have also mentioned that there was no mala fide intention of the PFS officers. Subsequently, the Board also directed to report the matter to RBI as "Suspected Fraud". It is clear that once all the facts were available with the Board alongwith the Report of IDs on the matter it choose to refer it as "Suspected Fraud" and therefore the mention of "Fraud" in the account by CNK by referring to the earlier Board meeting is not borne out of the actuals facts subsequently. Further, from a mere reading of the Board direction of 133rd meeting w.r.t. to instant account it is clearly evident that the Board itself recognized the fact that the Forensic audit was inconclusive and needs to be completed at the earliest by supplying the necessary documents.

In line with the directions of the 133rd Board meeting, PFS had already referred the matter to RBI on 12th Aug'2021 as "Suspected Fraud". The vital fact that the account was referred by PFS as "Suspected Fraud" to RBI also do not find any mention by CNK in their report.

Financial impact on PFS loan account

As at March 31, 2022, PFS has provision amounting to Rs. 125 crore i.e. 100% of loan outstanding, therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.

I. **Non-Compliance of Pre-Disbursement condition and misrepresentation to Reserve Bank of India (RBI):**

PFS Response

The observation is out of scope of Forensic due diligence done by CNK. As per the agreed Engagement letter, CNK was required "*to ascertain any non-disclosure of relevant information (including information which is incorrect on financial reporting, loan recovery process and in relation to any fraud established through forensic audit report on any particular account) to the Audit Committee / Board, which will have Material Impact on the financial of PFS. CNK was also required to Assess and report about implications of such missing information, if any identified, on recovery process and financial reporting of the Company for the stated period (i.e. 01st April 2019 to 31st March 2022)*

The observation of CNK is not related to financial reporting, loan recovery process and in relation to any fraud. Moreover, the disbursement being referred to was accorded in 2014, (way before the period as per engagement letter. Despite of the above observation being out of scope, however, to give full clarity, the management response is given below.

Acknowledgement has been received from [redacted] against on letterhead of NSL dated 12 February 2014 (attached as **Exhibit 1T**). Additionally, PFS has also obtained email confirmation from [redacted] via email dated 07 April 2017 (attached as **Exhibit 1U**). As per the email [redacted] representative stated "*Pursuant to the trailing mail, we acknowledge that (a) the letter dated 12 Feb 2014 was received by [redacted] and (b) that the [redacted] letter dated 03 Mar 2014 as attached in your email certified true as sent by [redacted] to the borrower*"

On question regarding obtaining NOC, the same was never a condition for the loan as PFS only had to obtain acknowledgement from [redacted] which was duly obtained as per facts mentioned above.

Hence the above observation made by CNK is factually incorrect.

The issues referred by CNK which has been captured in the minutes of 25th NRC meeting held on 23rd Jan 2018, has been adequately addressed by the then Board.

Further, it is pertinent to mention that CNK has quoted the minutes out of context, wherein the matter was settled by the Board after considering all facts of the case.

Financial impact on PFS loan account

As at March 31, 2022, PFS has provision amounting to Rs. 125 crore i.e. 100% of loan outstanding, therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.

J. Security creation not complied:

PFS Response

The observation is out of scope of Forensic due diligence done by CNK. As per the agreed Engagement letter, CNK was required "*to ascertain any non-disclosure of relevant information (including information which is incorrect on financial reporting, loan recovery process and in relation to any fraud established through forensic audit report on any particular account) to the Audit Committee / Board, which will have Material Impact on the financial of PFS. CNK was also required to Assess and report about implications of such missing information, if any identified, on recovery process and financial reporting of the Company for the stated period (i.e. 01st April 2019 to 31st March 2022)*

The observation of CNK is not related to financial reporting, loan recovery process and in relation to any fraud. Moreover, the disbursement being referred to was accorded in 2014 , (way before the period as per engagement letter. Despite of the above observation being out of scope, however, to give full clarity, the management response is given below.

CNK must understand chronology of events before making such factually incorrect observations which is unwarranted. The observation is incorrect as the risk report was dated 12 Oct 2020 (attached as **Exhibit 1V)** while the disbursement of the said loan was done in 2014 hence there is no question of considering the risk report dated 2020 at the time of disbursement in 2014.

Further, the security related to 26% pledge was complied in line with sanction terms / amendments at the time of disbursement in Mar' 2014, [redacted] subsequently, increased the share capital of the said company without pledging proportionate shares to PFS resulting in reduced pledged shares with PFS. PFS had followed up with the company / promoter to pledge the proportionate additional shares (refer **Exhibit 1W)**. This fact was also mentioned in the agenda note of OTS proposal submitted to the sub-committee of the Board (refer **Exhibit 1X)**

Regarding the security interest in immovable property the same is covered in detail while giving PFS's reply at point No. E.

Had CNK discussed the matter with the team of PFS during their audit process many such observations which are not true reflections of the fact would have been avoided in the first instance itself and would have adequately helped in closing the forensic audit in a timely manner.

Financial impact on PFS loan account

As at March 31, 2022, PFS has provision amounting to Rs. 125 crore i.e. 100% of loan outstanding, therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.

K. Non monitoring of stress in the account:

PFS Response

The observation is out of scope of Forensic due diligence done by CNK. As per the agreed Engagement letter, CNK was required "*to ascertain any non-disclosure of relevant information (including information which is incorrect on financial reporting, loan recovery process and in relation to any fraud established through forensic audit report on any particular account) to the Audit Committee / Board, which will have Material Impact on the financial of PFS. CNK was also required to Assess and report about implications of such missing information, if any identified, on recovery process and financial reporting of the Company for the stated period (i.e. 01st April 2019 to 31st March 2022)*

The observation of CNK is not related to financial reporting, loan recovery process and in relation to any fraud. Moreover, the observation being referred to was initiated in 2016, which is before the period specified in the engagement letter. Despite of the above observation being out of scope, however, to give full clarity, the management response is given below.

PFS has disbursed the Bridge loan on 12th March 2014 which was carved out of Rs 150 crores loan sanction by PFS in the consortium of PFC (the lead), [redacted] & [redacted] Subsequently after change of central Government in 2014, the new Govt imposed stringent condition on [redacted] and [redacted] for disbursements relating to coal based Thermal Power projects without availability of Coal Block and long term PPA.

[redacted] has long term coal linkage, however, there was no PPA as generally PPA is signed during course of project construction which was 3 years from start of project, as bids from various Discoms was being announced from time to time under the case I scheme

In view of this [redacted] and [redacted] could not commence disbursement on long term loan. It is prudent to mention that main source of loan repayment was from the disbursal of long term lenders as mentioned above.

The allegation that PFS did not monitor the stressed account is factually incorrect and implies that CNK have not completely reviewed and understood all the documents and information provided by PFS. In this regard various steps were taken by PFS to recover its dues when the account became irregular for the first time in 2016. The protracted efforts put by PFS resulted in recovery of Rs 11.53 crores in the month of September 2016 leading to the account becoming regular.

As subsequently the loan again became irregular many steps were taken by PFS in order to resolve the stress such as sale of project to [redacted] sale of account to ARC, taking over asset under SARFAESI Act, lodging of cheque bouncing case under section 138 of NI Act, invocation of pledged shares of sister concern of borrower group which were given to PFS as collateral, approaching NCLT for resolution under IBC 2016. In fact the legal course followed by PFS have led to a landmark decision from Hon'ble SC in all matters where borrowers attempt to evade their liability by asserting that mere invocation of dematerialised pledged shares by the Lenders resulted in discharge of their debt. CNK has not stated completed facts here. For better understanding the efforts made by PFS to resolve the stress in the account is given below :

06.03.2017	PFS attempted to sell the project to [redacted]
15.03.2017	PFS attempted to sell the account to ARCs such as [redacted] ARC, [redacted] ARC, [redacted] ARC etc

25.04.2017	PFS served on [redacted] and its group companies/directors a notice under Section 13(2) of the 'Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002' (SARFAESI) for payment of dues
Jan-Aug 2017	PFS issued legal notices and initiated proceedings under Section 138 of the NI Act for payment defaults committed by the [redacted] for dues after August 31, 2016
16.01.2018	PFS invoked 31,80,678 number of pledged shares (14.98%) held by the [redacted] the ultimate Holding Company of [redacted] a company called [redacted], a sister concern of [redacted]
18.01.2018	Hon'ble NCLT, Hyderabad admitted the petition filed by [redacted] u/s 10 of the Insolvency and Bankruptcy Code (IBC). NOTE: PFS had also filed its petition under Section 7 of IBC before NCLT against [redacted], however, CIRP process was already initiated by NCLT against [redacted] application, thus PFS application became infructuous.
19.02.2018	The RP rejected PFS's claim stating that value of invoked pledge share (of [redacted]) is more than PFS claim amount.
26.02.2018	PFS filed appeal in NCLT Hyderabad against the RP's decision of rejecting PFS claim.
06.07.2018	NCLT Hyderabad directed RP to get valuation of invoked shares of [redacted] by PFS to ascertain PFS place in CoC.
03.08.2018	PFS filed an appeal before Hon'ble NCLAT against the order of NCLT Hyderabad dated 06.07.2018
20.06.2019	PFS's petition got dismissed by Hon'ble NCLAT
10.07.2019	PFS filed petition to Hon'ble Supreme Court against the judgment of Hon'ble NCLAT
12.05.2022	Hon'ble Supreme Court of India pronounced the judgement on May 12, 2022 in favour of PFS
20.05.2022	PFS requested the RP vide letter and email dated 20th May 2022 to admit the financial claim of PFS, reconstitute the Committee of Creditors ("COC"), revise the list of creditors in light of the Hon'bel Supreme Court judgement dated 12th May 2022.
27.05.2022	The RP vide email dated 27th May 2022 informed PFS that in light of judgement of Hon'ble Supreme Court, PFS's claim is accepted and included in CoC members and PFS's voting share in CoC is 85.35 %.

It is once again reiterated that the issues which have happened in the past needs to be considered in line with the scenario prevailing at that point of time.

It is also intriguing that while mentioning about Non-monitoring of stress in the account CNK has been quoting from the MoM of 133rd Board meeting where discussions were mainly held on the Forensic Report / suspicion of Fraud in the account.

Finally, CNK's conclusion that delay in pursuing in legal options and preferring OTS (at a substantial hair-cut, which was not approved by the Board) is factually incorrect. The proposed recovery in [redacted] case is much higher than the industry's experience of recovery in similar stalled thermal projects. It is to mention that PFS recoveries through IBC have not been very encouraging for stalled power projects. For stalled power projects, recovery through IBC have only been in the range of 10-20% of Principal outstanding. In the instant case the OTS offer is 72% of the principal amount which is substantially on the higher side as compared to recoveries through other resolution processes including the options through legal recourse.

Financial impact on PFS loan account

As at March 31, 2022, PFS has provision amounting to Rs. 125 crore i.e. 100% of loan outstanding, therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.

CNK Conclusion:

PFS Response

1. Critical information have been presented to the Board without any significant delay
2. Disbursements made with timeline given for some of security, which was as per Board approved condition and delegation of power of Company;
3. The forensic report was inconclusive and no fraud was evident from the report. Further legal opinion taken by PFS also corroborated the same.
4. There has been no delay in pursuing in legal options and preferring OTS and instant case the OTS offer is 72% of the principal amount which is substantially on the higher side as compared to the Industry's experience of recovery in similar stalled thermal projects. The OTS proposal is under discussion with the Board for last 2 years.

   The account has been monitored on a on ongoing basis and PFS has been able to successfull y recover partial dues from the borrower in July 2016. Once the loan account become irregular again, PFS attempted all possible means of recovery from the accounts such as sale of project to [redacted] sale of account to ARC, taking over asset under SARFAESI Act, lodging of cheque bouncing case under section 138 of NI Act, invocation of pledged shares of sister concern of borrower group which were given to PFS as collateral, approaching NCLT for resolution under IBC 2016. The OTS offer has been significantly improved by borrower based on management' s actions in the interest of PFS.

   These PFS efforts to resolve the accounts have been informed to the Board, RMC and Audit Committee time to time. Further, decisions of Board, RMC and Audit Committee have been implemented in this case. The loan account has also reported to RBI for suspected fraud.

   It is pertinent to note that in line with the decision of 6th Business Committee held on 20th Sep 2021 agenda note for the information on the status update and suitable guidance for further action on the matter from the Board, was placed to Board in the meeting held in the month of May, June, July, August & September 2022, however the same got deferred in each of the Board meeting.

   As at March 31, 2022, PFS has provision amounting to Rs. 125 crore i.e. 100% of loan outstanding, therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.
5. Critical Information have been presented to the Board without any significant delay

6. Disbursements made with timeline given for some of security, which was as per Board approved condition and delegation of power of Company;
7. The forensic report was inconclusive and no fraud was evident from the report. Further legal opinion taken by PFS also corroborated the same.
8. There has been no delay in pursuing in legal options and preferring OTS and instant case the OTS offer is 72% of the principal amount which is substantially on the higher side as compared to the industry's experience of recovery in similar stalled thermal projects. The OTS proposal is under discussion with the Board for last 2 years.

The account has been monitored on a on ongoing basis and PFS has been able to successfull y recover partial dues from the borrower in July 2016. Once the loan account become irregular again, PFS attempted all possible means of recovery from the accounts such as sale of project to [redacted]; sale of account to ARC, taking over asset under SARFAESI Act, lodging of cheque bouncing case under section 138 of NI Act, invocation of pledged shares of sister concern of borrower group which were given to PFS as collateral, approaching NCLT for resolution under IBC 2016. The OTS offer has been significantly improved by borrower based on management' s actions in the interest of PFS.

These PFS efforts to resolve the accounts have been informed to the Board, RMC and Audit Committee time to time. Further, decisions of Board, RMC and Audit Committee have been implemented in this case. The loan account has also reported to RBI for suspected fraud.

It is pertinent to note that in line with the decision of 6th Business Committee held on 20th Sep 2021 agenda note for the information on the status update and suitable guidance for further action on the matter from the Board, was placed to Board in the meeting held in the month of May, June, July, August & September 2022, however the same got deferred in each of the Board meeting.

As at March 31, 2022, PFS has provision amounting to Rs. 125 crore i.e. 100% of loan outstanding, therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.

II. [redacted]

A. Evergreening and Manipulation of the Loan Book:

PFS Response

At the outset, it is clarified that in general trade parlance the Evergreening of loan is a term in which a lender tries to revive a loan which is on the verge of default/in default by granting further loans, which is definitely not the case in the instant account as borne by the facts mentioned below. There is no manipulations of the books. Title of the observation used by CNK is not appropriate and not borne out of the facts.

The loan was sanctioned vide PFS Board meeting dated 21 June 2021 as per which the loan facility was revolving in nature. As per the approved facility, Borrower may seek the disbursement from PFS on short term basis for capex utilisation in their multiple SPVs and funds repaid back to PFS may again be utilised in the identified SPVs and this revolving process may continue till the maximum tenor of 4 years from the date of disbursement for first time.

Borrower has requested loan from PFS for [redacted] and [redacted] multiple times in anticipation of financial closure/ equity being available for the projects and each time the loan was repaid out of its own sources as allowed in the Facility Agreement. The total capital (equity) required for 2 projects was Rs 11200 crore which has been appraised to the Board at the time of sanction. (attached as **Exhibits 2A, 2B and 2C)**

As per the Board approved terms and condition, Borrower can prepay the loan out of its own sources, in case of delay in financial closure in its subsidiary, Borrower has option to prepay from any other sources, which may be cheaper than PFS loan. This is standard practice to refinance the short term facilities by availing another short term or long term arrangement which is less costly.

It is to be mentioned that under the revolving facility, at every time PFS disbursed the loan, there was no outstanding of Borrower and there is no question of evergreening as interpreted by CNK.

In relation to quick repayment for tranche 3, the borrower itself requested for pre-payment. Please refer to the email from borrower on the same. It must be noted that PFS received interest amounting to Rs 13.50 lacs from the borrower on tranche 3. PFS has done the disbursement based on the borrower request for need of fund after review of compliance of terms and condition of the facility agreement, and Borrower has repaid as per the option available in the facility agreement.

There was no breach of HQLA as the position was settled in the same day as envisaged by PFS team (However, the same was intimated to RBI as a matter of abundant caution).

The liquidity position was appraised by PFS team in ALCO Committee Meeting (MD&CEO, treasury, finance, monitoring, risk and appraisal) and a considered decision was taken by ALCO Committee to proceed for disbursement. It is pertinent to mention that HQLA component consists of projected disbursements of Rs 511 crore for the month of March 2022 against which there were disbursements of only Rs 283.29 crore to the borrowers account. Further, it was discussed during the meeting that there would be repayment of Rs 740 crore from pre-payment of loans which was expected very shortly and PFS was not having any plan for utilizing the expected liquidity in next few days.

The extract of ALCO minutes has not captured fully in the preliminary report of CNK to reflect actual status.

It is further to mention that PFS received disbursements of Rs 350 crores from its lenders and Rs 152.70 as prepayment of loan and total funds available as on 31st March 2022 was Rs 854.67 crore (30.89 % of excess requirement of HQLA).

CNK has not understood the matter. As per agreed scope, CNK was required to have preliminary discussions with PFS management on weekly basis, which was not done by CNK. Preliminary discussions as per the terms of Engagement letter would have helped CNK in detailed understanding on the matter.

Financial impact on PFS loan account

The borrower subsequently prepaid the said loan on April 2, 2022 therefore there is no financial impact w.r.t. this loan account on PFS financials. It is pertinent to mentioned that the capital adequacy ratio deteriorate with additional disbursements and understanding of CNK is wrong that additional disbursement result in improvement of Capital Adequacy Ratio.

B. UDIN mismatch - Diversion of funds and weak monitoring controls:

PFS Response

The observation is out of scope of Forensic due diligence done by CNK. As per the agreed Engagement letter, CNK was required "*to ascertain any non-disclosure of relevant information (including information which is incorrect on financial reporting, loan recovery process and in relation to any fraud established through forensic audit report on any particular account) to the Audit Committee / Board, which will have Material Impact on the financial of PFS. CNK was also required to Assess and report about implications of such missing information, if any identified, on recovery process and financial reporting of the Company for the stated period (i.e. 01st April 2019 to 31st March 2022)*

The observation of CNK is not related to financial reporting, loan recovery process and in relation to any fraud. Despite of the above observation being out of scope, however, to give full clarity, the management response is given below.

As per the terms and conditions sanctioned by the Board, End use certificate from CA is not applicable for initial disbursements made. Subsequently the details as per end use certificate received on 16 November 2021, are matching with the details on UDIN portal. (attached as **Exhibits 2D and 2E**).

CNK's observation has been noted and it shall be ensure in the future all CA certificates shall be verified with UDIN on ICAI portal.

Financial impact on PFS loan account

The said loan was subsequently prepaid by the borrower on April 2, 2022 therefore there is no financial impact w.r.t. this loan account on PFS financials.

C. End Use Certificate not obtained:

<u>**PFS Response**</u>

The observation is out of scope of Forensic due diligence done by CNK. As per the agreed Engagement letter, CNK was required "*to ascertain any non-disclosure of relevant information (including information which is incorrect on financial reporting, loan recovery process and in relation to any fraud established through forensic audit report on any particular account) to the Audit Committee / Board, which will have Material Impact on the financial of PFS. CNK was also required to Assess and report about implications of such missing information, if any identified, on recovery process and financial reporting of the Company for the stated period (i.e. 01st April 2019 to 31st March 2022)*

The observation of CNK is not related to financial reporting, loan recovery process and in relation to any fraud. Despite of the above observation being out of scope, however, to give full clarity, the management response is given below.

As per the terms and condition s of PFS' sanction, the End Use certificate was to be obtained within 45 days from the disbursement. Since the Borrower could not utilize the funds availed as informed vide their prepayment intimation (vide email dated 02nd April 2022), and was repaid back in 2 days, the end-use certificate was not obtained by PFS. (refer **Exhibit 2H**). The extract of prepayment intimation is as below:

"The fund requirements of Renew are delayed however so we would like to prepay the entire facility on 02-04-2022 from our own sources, and would like to request for waiver of the notice period".

<u>**Financial impact on PFS loan account**</u>

The said loan was subsequently prepaid by the borrower on April 2, 2022 therefore there is no financial impact w.r.t. this loan account on PFS financials.

D. Deleted since observation not included in final report

CNK Conclusion:

<u>**PFS Response**</u>

Based on the above clarification and justification provided

1. PFS has done the disbursement based on the borrower request for need of fund after review of compliance of terms and condition of the facility agreement, and Borrower has repaid from cheaper source which is allowed in the facility agreement.

2. As per the compliance requirement, CA certificate was received and now PFS verified CA certificate and is line with UDIN and there is no diversion of fund.

3. Repayment received after receipt of prepayment notice from Borrower.

III. [redacted]

A. Modification of Pre-disbursement condition:

PFS Response

The loan account was sanctioned by the PFS Board in its meeting dated 20th December 2020 in the consortium lending lead by [redacted] Ltd and there were 2 lenders ([redacted], [redacted]) sanctioned the loan to the Borrower with common terms and conditions. Project has achieved Provisional COD on 31st Jan 2022 and final PCOD has been completed in 8th June 2022. Final COD is expected by end of October 22.

For any term debt finance under construction lending, stipulation of SCOD is an essential condition to estimate financial viability and fixing the repayment dates. Since at the time of PFS sanction in Dec 2020, SCOD date of 18th Nov 2020 was expired, PFS had stipulated proposed revised SCOD and NHAI letter for COD extension as pre disbursement condition in order to validate the proposed revised SCOD.

PFS received NHAI letter for COD extension within 5 days of PFS Board sanction in which SCOD was extended for 6 months (i.e. 18th May 2022) from original SCOD date of 18th Nov 2020 and based on the same Lead FI communicated the approval of revised SCOD of 6th June 2021. Before signing of agreement, the pre disbursement condition for obtaining COD extension from NHAI was complied and hence there is no impact of any nature in either case (Interpretation). PFS Board sanction condition was complied before signing of facility agreement itself. This issue has been explained to RBI also.

As per ex-IDs resignation letter, the concern is related to shifting of a condition from pre-disbursement conditions to other condition resulting in disbursement without compliance of such condition. ***Thus, it is evident that pre-disbursement condition was captured as pre-disbursement condition only in the loan agreement and the condition has been complied by the Borrower***. Allegation of Ex Independent Director is incorrect.

Also, basis the video recordings of the Board meeting dated 29th September 2021, CRO has clearly confirmed to Board that a condition has been shifted from PDC to other conditions. The same has not been captured by CNK in their report while drafting the observation. It is to mention that *due to this incorrect representation by CRO, the Board was misled to take incorrect decision towards non-compliance of Board directives in the account*. Subsequently, the Internal Auditor has also confirmed the incorrect representation by the CRO in the Risk Report.

Further, with respect to language of Loan Agreement, please note that SCoD extension approval by NHAI and Lead FI was already in place even before execution of loan agreement by PFS and condition was accordingly drafted by LLC and circulated by lead bank ([redacted]) and the stated condition was clearly captured as a pre-disbursement condition only.

Therefore, interpretation of CNK is erroneous.

Legal opinion has been obtained from one of the leading LLC firms, [redacted], which clearly mentioned that no disbursement condition was shifted. The legal opinion has been shared with CNK for review purposes. (refer **Exhibit 3A**)

In regard to disbursement dated 10th June, 2021, the disbursement was made in line with LCN issued Lead FI as per the terms of Loan Agreement. (refer **Exhibit 3B**). The SCoD extension was not a subsequent disbursement condition.In the consortium meeting dated 28th May 2021 (other lenders are [redacted] and [redacted]), it was discussed that the SCOD of the project was 6th June, 2021 and present progress of the project is about 72% and Borrower has requested for further 6 month extension in COD. In the consortium meeting dated 28th May 2021, it was agreed that in the interest of the project interim extension in SCOD shall be considered till 26th Aug 2021 and again the reassessment of the SCOD shall be done in July/ August 2021 based on Covid situation. Therefore, in the meeting, all lender acknowledged and noted the request of Borrower for disbursement so that project progress is not hampered and agreed to continue to support the project pending reassessment of extension in SCOD based on covid situation.

The minutes of consortium meeting dated 28th May 2021attached as **Exhibit 3C**

Further as per the facility agreement the availability period for drawl of fund was till 6th December 2021 (i.e. 6 month from SCOD) and therefore the disbursement made by PFS and other consortium lender is within period defined in the facility agreement.

It is to be noted that Lead FI and other lenders disbursed total amount of Rs 20 cr (in which PFS' share Rs 13.13 cr) in TRA based on LCN issued on 8th June 2021, pending SCOD extension. As per LLC opinion received, Lead FI has issued the LCN certifying compliance of pre disbursement conditions as per the provisions of the Facility Agreement.

Lead FI granted SCOD extension on 26th July 2021 based on the consortium decision in July 2021. PFS Board also extended SCOD till 31st December 2021 vide its meeting dated 29th Sep 2021.

As on date, Project has achieved COD in January 2022 and annuity payment from NHAI has started. The account is standard and there was never any overdue in the account in past.

Financial impact on PFS loan account

Based on the above explanation, where the condition of Board have been ensured in the spirit of the language, there is no financial impact for this loan account w.r.t. CNK observation.

B. Non-compliance with Board Directive:

PFS Response

The draft Minutes of 140th BM held on 29.9.21, were finalized on 9.11.21. Therefore the required actions were not placed due to fact that board was not constituted till April, 2022. Thereafter the status on this was placed to Board in meeting held on 24th May, 2022 and Board took note of the same. (refer Exhibit 3D)

Financial impact on PFS loan account

Based on the above explanation, where the status was submitted to Board on May 24, 2022, there is no financial impact for this loan account w.r.t. CNK observation.

CNK Conclusion:

PFS Response

Based on the above clarification and justification provided

1. The pre disbursement condition stipulated by the Board has been captured as pre disbarment condition in the facility agreement. Borrower has also complied the required pre disbursement condition as the required NHAI letter for COD extension was received prior to execution of agreement.

2. Disbursement has been done as per the LCN issued by the Lead FI after the impact assessment of extension in COD.

3. Required Action Taken Report has been submitted to Board in May 2022 and delay in submission is on account of non functioning of Board.

IV. [redacted]

A. Disbursement done despite Non-compliance of pre disbursement condition:

PFS Response

The observation is out of scope of Forensic due diligence done by CNK. As per the agreed Engagement letter, CNK was required "*to ascertain any non-disclosure of relevant information (including information which is incorrect on financial reporting, loan recovery process and in relation to any fraud established through forensic audit report on any particular account) to the Audit Committee / Board, which will have Material Impact on the financial of PFS. CNK was also required to Assess and report about implications of such missing information, if any identified, on recovery process and financial reporting of the Company for the stated period (i.e. 01st April 2019 to 31st March 2022)*

The observation of CNK is not related to financial reporting, loan recovery process and in relation to any fraud in PFS. Moreover, the disbursement being referred to was accorded in 2012 (way before the period as per engagement letter). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below.

The loan account was sanctioned by the PFS Board committee (Committee of Director) in its meeting dated 12 March 2012 (attached as **Exhibit 4A**) in the consortium lending led by [redacted] and there were 2 other lenders ([redacted], [redacted]) that have sanctioned the loan to the Borrower apart from PFS with common terms and conditions. Board committee has also approved alignment of terms and condition as per the consortium.

The disbursements have been made based on the LCN issued by the lead bank and lead bank has reviewed the compliance of PDC including the equity infusion (attached as **Exhibit 4B**). The share application money continued to get reflected in the subsequent CA certificates obtained by PFS as part of subsequent disbursements as per LCN issued from Lead FI.

Financial Impact on PFS loan account

This loan account has already been technically written-off post liquidation of project under IBC with balance outstanding (unrecovered amount), therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.

B. Disbursement done in spite of account classified NPA with another lender and possible evergreening:

PFS Response

The observation is out of scope of Forensic due diligence done by CNK. As per the agreed Engagement letter, CNK was required "to ascertain any non-disclosure of relevant information (including information which is incorrect on financial reporting, loan recovery process and in relation to any fraud established through forensic audit report on any particular account) to the Audit Committee / Board, which will have Material impact on the financial of PFS. CNK was also required to Assess and report about implications of such missing information, if any identified, on recovery process and financial reporting of the Company for the stated period (i.e. 01st April 2019 to 31st March 2022)

The observation of CNK is not related to financial reporting, loan recovery process and in relation to any fraud. Moreover, the disbursement being referred to was accorded in 2015 (way before the period as per engagement letter). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below.

Post declaration of NPA by one of the consortium lenders [redacted], further disbursements were also made by lead banker [redacted]) alongwith PFS (attached as **Exhibit 4C**).

Disbursement made by PFS was approved by MD&CEO as per the Delegation of Power of Company. Also at the time of disbursement by PFS, borrower was not NPA in PFS's books and the disbursement was done in line with the LCN received from lead bank.

Further, PFS declared Fraud in the account and intimated RBI of the same fact on 08th Sept 2020 (attached as **Exhibit 4D**) and the same was informed to Board in its meeting dated 29th Oct 2020 (attached as **Exhibit 4E**).

The above CNK observation is factually incorrect. Disbursement against IDC is as per the Board approved financing plan and the IDC is well within IDC as approved by the Board.

Interest during construction ('IDC') is part of approved project cost, which is towards the interest to be paid by borrower during construction period. In an under construction project, the borrower does not have any source of revenue to repay the outstanding interest towards the loan. Therefore, IDC cost is a part of loan disbursement to be utilized towards payment of outstanding interest against the loan in the project. This is an established industry practice in project financing, and the IDC cost is already estimated and accounted at the time of sanction.

Further, recovery of IDC through disbursement does not qualify as ever greening since PFS has not recovered the dues by sanctioning and disbursing another loan to Borrower. In general parlance, the Evergreening of loan is a term in which a lender tries to revive a loan that is on the verge of default by granting further loans which is not the case in the instant account.

It is to be noted that in June 2020, while discussing on the issue of disbursing towards IDC in an another account, the Audit Committee/ Board has not stopped PFS from doing such disbursement and have only directed PFS to record proper justification while doing disbursement in such overdue cases.

CNK has not understood the matter. As per agreed scope, CNK was required to have preliminary discussions with PFS management on weekly basis which was not done by CNK. Preliminary discussions as per the terms of Engagement letter would have helped CNK in detailed understanding on the matter.

Financial impact on PFS loan account

This loan account has already been technically written-off post liquidation of project under IBC with balance outstanding (unrecovered amount), therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.

C. Disbursement done despite slow progress (based on false site visit reports) and refusal by [redacted] for funding of project post sanction:

<u>PFS Response</u>

The observation is out of scope of Forensic due diligence done by CNK. As per the agreed Engagement letter, CNK was required "*to ascertain any non-disclosure of relevant information (including information which is incorrect on financial reporting, loan recovery process and in relation to any fraud established through forensic audit report on any particular account) to the Audit Committee / Board, which will have Material Impact on the financial of PFS. CNK was also required to Assess and report about implications of such missing information, if any identified, on recovery process and financial reporting of the Company for the stated period (i.e. 01st April 2019 to 31st March 2022).*

The observation of CNK is not related to financial reporting, loan recovery process and in relation to any fraud. Moreover, the disbursement being referred to was accorded in 2014 (way before the period as per engagement letter). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below.

The fact that [redacted] was taking time for revalidation of their earlier loan sanction due to change in fuel mix was clearly mentioned in the Agenda note for sanction submitted to PFS Board Sub committee. The proposal of PFS was with the proposed change in fuel mix and the Board Sub Committee sanctioned loan considering the above fact.

The fact that site visits are false is completely incorrect as [redacted] (Jr. Manager) at that time had written to representatives of [redacted] as a follow up to the site visits done in July 2014 (alongwith Sh [redacted] - AVP) (attached as **Exhibit 4F**).

Additionally, PFS has flight tickets as evidence to prove that the site visit happened in July 2014 (attached as **Exhibit 4G**).

Also, the site visit was voluntarily carried out as a matter of abundant precaution since existing LIE appointed by lead banker was not doing the site visit since last one year (last site visit conducted by LIE in Aug 2013)

The disbursement was made on the basis of LCN issued by lead bank (BOB) in line with consortium spirit and approved by MD&CEO as per the Delegation of Power of Company (attached as **Exhibit 4H**).

CNK has not understood the matter. As per agreed scope, CNK was required to have preliminary discussions with PFS management on weekly basis which was not done by CNK. Preliminary discussions as per the terms of Engagement letter would have helped CNK in detailed understanding on the matter.

However, CNK observation has been noted and in future it shall be ensured that site visit report shall be signed by the PFS officials who have visited the site.

<u>**Financial Impact on PFS loan account**</u>

This loan account has already been technically written-off post liquidation of project under IBC with balance outstanding (unrecovered amount), therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.

D. Disbursement for clearing overdues:

PFS Response

The observation is out of scope of Forensic due diligence done by CNK. As per the agreed Engagement letter, CNK was required "*to ascertain any non-disclosure of relevant Information (including information which is incorrect on financial reporting, loan recovery process and in relation to any fraud established through forensic audit report on any particular account) to the Audit Committee / Board, which will have Material Impact on the financial of PFS. CNK was also required to Assess and report about implications of such missing information, if any identified, on recovery process and financial reporting of the Company for the stated period (i.e. 01st April 2019 to 31st March 2022)*

The observation of CNK is not related to financial reporting, loan recovery process and in relation to any fraud. Moreover, the disbursement being referred to was accorded in 2012 (way before the period as per engagement letter). Despite of the above observation is out of scope, the management response is given below to address the concern raised.

The disbursements were done as per facility agreement, wherein it has been stated that *lender could at their sole discretion deduct from sums to be lent and advanced to Borrower any monies then remaining due and payable by the borrower to lender* (attached as Exhibit 4I). The disbursement was approved by the then MD & CEO (Sh [redacted]) based on the justification and rationale for project status considering revival plans including cost overrun were under consideration by Consortium.

There is no impact of accounts of PFS from the above observation.

The above CNK observation is also factually incorrect.

Disbursement against IDC is as per the Board approved financing plan. Interest during construction ('IDC') is part of approved project cost, which is towards the interest to be paid by borrower during construction period. In an under construction project, the borrower does not have any source of revenue to repay the outstanding interest towards the loan. Therefore, IDC cost is a part of loan disbursement to be utilized towards payment of outstanding interest against the loan in the project. This is an established industry practice in project financing, and the IDC cost is already estimated and accounted at the time of sanction.

Further, recovery of IDC through disbursement does not qualify as ever greening since PFS has not recovered the dues by sanctioning and disbursing another loan to Borrower. In general parlance the evergreening of loan is a term in which a lender tries to revive a loan that is on the verge of default by granting further loans which is not the case in the instant account.

It is to be noted that in June 2020, while discussing on the issue of disbursing towards IDC in an another account, the Audit Committee/ Board has not stopped PFS from doing such disbursement and have only directed PFS to record proper justification while doing disbursement in such overdue cases.

With regard to Hotmail domain, all communications from [redacted] were from "Hotmail" id and the same domain was used for communication with other consortium members also (including representatives from [redacted], [redacted]) (attached as Exhibit 4J)

CNK has not understood the matter. As per agreed scope, CNK was required to have preliminary discussions with PFS management on weekly basis which was not done by CNK. Preliminary discussions as per the terms of Engagement letter would have helped CNK in detailed understanding on the matter.

Financial Impact on PFS loan account

This loan account has already been technically written-off post liquidation of project under IBC with balance outstanding (unrecovered amount), therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.

CNK Conclusion:

PFS Response

Based on the above clarification and justification provided

1. Disbursement for capex was done based on LCN issued by the Lead FI
2. Site Visit was done by PFS officials and valid documents are available for the proof of the site visit.
3. Disbursement for recovery of dues was done based on LCN issued by the Lead FI and also based on the right of recovery stipulated in the Facility agreement

V. [redacted]

A. Possible evergreening of the loan account:

<u>**PFS Response**</u>

At the outset it is clarified that in general trade parlance the Evergreening of loan is a term in which a lender tries to revive a loan that is on the verge of default/in default by granting further loans, which is definitely not the case in the instant account as borne by the facts mentioned below.

The loan account was sanctioned by the PFS Board in its meeting dated 13 Nov 2017 considering PFS as sole lender.

CNK has not understood the factual position of the observation made by them. The discussion on the disbursement in the loan account was held in 4 RMC meetings held during the period January 2020 to July 2020. Further, PFS' recovery of overdue through IDC disbursement was also discussed in detail in Audit Committee meeting dated 12th June 2020. Audit committee advised extra focus for all such accounts and proper documentation and justification should be recorded before further disbursement in all such accounts. The above advice of Audit committee was recorded in the minutes of Board meeting dated 29 October 2020. The above direction of Board and Audit Committee is being adhered subsequently.

Board approved project cost of INR 225.26 cr includes INR 9.09 cr. towards WC margin of INR 3.68 cr. and DSRA of INR 5.41 cr and at the time of COD, Borrower had not availed any disbursement against these items. Proceeds from disbursement were thus, utilised for creation of DSRA of INR 5.41 cr and INR 3.68 cr. (refer Exhibits 5A & 5B) was utilized to meet the cash shortfall in the project as there was delayed payment from APSDCL on account of change in political scenario in the state.

The disbursement has been made after approval of current MD&CEO delegation of power of Company, based on the justification provided in the disbursement note. As explained in the disbursement note, there was a tariff dispute and the same was subjudice and high court had given interim relief of immediate payment of tariff of INR 2.43 cr./ unit to be made to the Borrower and [redacted] is in the process of availing loans from [redacted] etc., proceeds of which would be used for clearing RE plant dues. CNK has not presented the full facts in the observation above.

As on date, [redacted] has agreed to High Court to make the payment as per the original PPA terms and Government of India has launched the Late Payment Surcharge Scheme (LPSS) under which [redacted] and [redacted] have started disbursing the overdues in the project TRA in monthly instalments. Borrower has also already received 2 instalments amounting to INR 15.31 cr. in the last 2 months.

Financial impact on PFS loan account

As at March 31, 2022, provision for said loan account has been calculated basis the average distress valuation of two valuation reports. No incremental financial impact is there for the said loan account w.r.t. CNK observation.

B. Extension of availability period:

PFS Response

The observation is out of scope of Forensic due diligence done by CNK. As per the agreed Engagement letter, CNK was required "*to ascertain any non-disclosure of relevant information (including information which is incorrect on financial reporting, loan recovery process and in relation to any fraud established through forensic audit report on any particular account) to the Audit Committee / Board, which will have Material Impact on the financial of PFS. CNK was also required to Assess and report about implications of such missing information, if any identified, on recovery process and financial reporting of the Company for the stated period (i.e. 01st April 2019 to 31st March 2022)*

The observation of CNK is not related to financial reporting, loan recovery process and in relation to any fraud. Despite of the above observation being out of scope, however, to give full clarity, the management response is given below.

CNK has not provided the full facts for rationale of the amendment, which has been explained in PFS response for point number A above.

In lending business, extension of availability is a routine matter moreso in infrastructure projects and MD&CEO has been designated as competent authority for the above modification as per the DOA finalized in the board meeting dated 08 Aug 2015. The modification is therefore in line with the board directions.

Financial impact on PFS loan account

As at March 31, 2022, provision for said loan account has been calculated basis the average distress valuation of two valuation reports. No incremental financial impact is there for the said loan account w.r.t. CNK observation.

C. Non-Compliance of critical pre disbursement conditions:

PFS Response

The observation is out of scope of Forensic due diligence done by CNK. As per the agreed Engagement letter, CNK was required "*to ascertain any non-disclosure of relevant information (including information which is incorrect on financial reporting, loan recovery process and in relation to any fraud established through forensic audit report on any particular account) to the Audit Committee / Board, which will have Material Impact on the financial of PFS. CNK was also required to Assess and report about implications of such missing information, If any Identified, on recovery process and financial reporting of the Company for the stated period (i.e. 01st April 2019 to 31st March 2022)*

The observation of CNK is not related to financial reporting, loan recovery process and in relation to any fraud. Despite of the above observation being out of scope, however, to give full clarity, the management response is given below.

CNK has not provided the full facts for rationale of the amendment which has been explained in PFS response for point number A above.

The terms and conditions for time line extension as mentioned in the CNK observation, were duly approved through MD&CEO (after due deliberation and justification proposed by relevant department after re-assessment done by Risk team), hence the same were in line as per Delegation of Power of Company. (refer **Exhibits 5C & 5D**).

It is pertinent to mention that the infrastructure projects generally face various issues due to involvement of many stakeholders and therefore extension in timelines by the lenders to meet certain conditions are common.

The rationale for the amendment have been explained in the approval note shared to CNK, however, these facts have not been brought out by CNK in its report. It is to be noted that while sanctioning the power project, these conditions are required to be complied by the Borrower within certain timeline as approved by the Board after the first disbursement. These amendments were done by PFS as per the delegation of power of the Company only and these business decisions have been taken in the interest of the project based on the prevailing market dynamics. Further, these ~~management-approved~~ amendments have been informed to the Board for noting purpose in its quarterly meetings.

CNK representation that PPA for entire project capacity was not signed is incorrect. It is to be mentioned that Borrower has executed PPA for entire capacity of 25.3 MW at the time of availing disbursement. Just before commissioning, ~~Company~~ had received APERC consent for 22 MW and post COD, PPA for 2.3 MW (last WTG) was put up for APERC consent as power quota allotted for RE projects across the state for applicable time period had exhausted. However, as PPA was already signed by [redacted] DISSCOM appealed on developers' behalf with [redacted] for procuring the approval. As [redacted] had executed the PPA and investments were made by the generators, ~~Borrower appealed~~ to [redacted] to consent to executed PPAs. But, [redacted] ordered against the PPAs. Hence, the WTG was disconnected by [redacted] & [redacted] in September 2020 and terminated in April 2021. Subsequently, PPA for 2.3 MW was cancelled on November 17, 2021 and therefore is subsequent development.

<u>**Financial impact on PFS loan account**</u>

As at March 31, 2022, provision for said loan account has been calculated basis the average distress valuation of two valuation reports. No incremental financial impact is there for the said loan account w.r.t. CNK observation.

CNK Conclusion:

<u>**PFS Response**</u>

Based on the above clarification and justification provided

1. Disbursement for recovery of dues does not qualify for the Evergreening as PFS has done the disbursement within sanction limit. Evergreening of loan is a term in which a lender tries to revive a loan that is on the verge of default ~~by granting further~~ loans, which is not the case in the instant account

2. Complete facts not represented by CNK as mentioned in the clarification above and at the time of disbursement Borrower had executed PPA for entire capacity.

VI. [redacted]

A. Disproportionate disbursement of funds:

PFS Response

The observation is out of scope of Forensic due diligence done by CNK. As per the agreed Engagement letter, CNK was required "*to ascertain any non-disclosure of relevant information (including information which is incorrect on financial reporting, loan recovery process and in relation to any fraud established through forensic audit report on any particular account) to the Audit Committee / Board, which will have Material Impact on the financial of PFS. CNK was also required to Assess and report about implications of such missing information, if any identified, on recovery process and financial reporting of the Company for the stated period (i.e. 01st April 2019 to 31st March 2022)*

The observation of CNK is not related to financial reporting, loan recovery process and in relation to any fraud. Despite of the above observation being out of scope, however, to give full clarity, the management response is given below.

The loan account was sanctioned by the PFS Board in its meeting dated 13 Nov 2017 considering PFS as sole lender.

As on 31st Mar'22, installed capacity was about ~29.80 MW (~75% of the envisaged capacity against 50% as mentioned in the CNK report). Considering 75% capacity installed is for solar module only however, balance of plant and all common infrastructure required for 40 MW has been installed and commissioned. PFS had also provided evidence to CNK that 29.80 MW had been installed (basis CDL minutes for the quarter ended March 2022 via meeting dated 22 June 2022 provided to CNK), but still CNK has mentioned the installed capacity at 50% capacity (i.e. at 20 MW) only.

In solar project, out of total project cost estimate of Rs 272.34 crores, the cost estimate of solar module was Rs 130.44 crores (~50%) and therefore by installation of 75% module correspond to Rs 97.83 cr for module and installation of other facilities for entire 40 MW is Rs 142.34 crore. The total expenditure incurred is Rs 240.17 crores. Therefore based on debt equity ratio of 72:28, PFS debt eligibility less of promoter contribution of Rs 76 work out to Rs 164 cores) and PFS total debt disbursement is Rs 162 crores.

Original Capacity (as per original sanction)	40 MW
Total project cost approved	Rs 272 crores
Original sanction amount (Rs.) (DE Ratio of 72:28)	Rs 196 crores
% Solar module installed (30 MW out of 40 MW))	75%
Balance of plant and other facilities installed (40 MW)	100%
Total expenditure incurred	Rs 272 crores
Promoter contribution infused	Rs 72 crores
PFS loan eligibility based on the above	Rs 164 crores
Actual disbursement done (Rs.)	Rs 162 crores
Excess disbursement (Rs.)	NA

Thus, PFS aggregate disbursement is within the debt equity ratio based on the actual project expenditure incurred. Basis of CNK calculation is technically in correct and deviating from the genesis of development and commissioning of solar project.

In the Infrastructure projects disbursements governed by sanctioned limit and utilisation is based on the promoter contribution and depending upon the payment terms defined in the EPC contractor. Therefore in any infrastructure projects disbursement is not in proportion of physical progress that point of time and these facts can be verified with other projects which are under construction phase.

Initial disbursement of Rs 151.33 cr (at one go) was made on the basis of invoices received from the contractors which were reviewed by the LIE and accordingly drawdown certificate was issued (refer **Exhibit 6A**). Additionally no stress has been observed in the account at the time of disbursement (refer **Exhibit 6B**). Additional disbursement of Rs 10.67 cr was utilized partly for the creation of DSRA (Rs 6.56 cr) as required to be created for the facility and payment towards IDC (Rs 4.11 cr) for the construction period upto Jan'19 (COD date). As per the financing plan approved by the Board, the DSRA component was Rs 6.56 cr and IDC component was Rs 5.18 cr. Therefore, the disbursement was as per approved financing plan. Post disbursement, PFS had also received the End-use certificate from the Borrower showing utilization of the PFS' debt (refer **Exhibit 6C**).

It is to further mention that keeping in view the delay in the project completion, PFS stopped further disbursements in the project beyond INR 162 cr and subsequently as there was no further progress in the project, PFS has short closed its loan from INR 196 cr to INR 162 cr. As on 31st Mar'22, the outstanding loan amount was INR 140.31 cr. CNK has also not mentioned the fact that PFS has shortclosed the loan at 162 cr. and have just mentioned that PFS has restricted the disbursement to Rs 162 cr. (refer **Exhibit 6D**)

Therefore, the observation of CNK that the disbursement should have been restricted to Rs 98 Crs is factually incorrect. CNK has not understood the matter. As per agreed scope, CNK was required to have preliminary discussions with PFS management on weekly basis which was not done by CNK. Preliminary discussions as per the terms of Engagement letter would have helped CNK in detailed understanding on the matter.

Financial impact on PFS loan account

As at March 31, 2022, provision for said loan account has been calculated basis the discounted future cash flow with 29.80 MW capacity. No incremental financial impact is there for the said loan account w.r.t. CNK observation.

B. Disbursements done pending security creation:

PFS Response

As per the Delegation of Power of Company, MD &CEO is competent authority for amendment in terms and condition including timeline extension for security creation.

The timeline for the security mentioned above (mortgage and assignment) was extended till 31 May 2019 and PFS has disbursed within the timeline available (last disbursement by PFS was on 28 Feb 2019 with prior approval from MD&CEO which is the competent authority as per BoD delegation. Hence, the observation of CNK is factually incorrect.

In the instance loan account, as per minutes of board meeting dated 08 Auf 2015, MD&CEO was authorised to approve and amend condition related to time line extension. The above mentioned clauses were duly approved through current MD&CEO (after due deliberation and justification proposed by designated department after reassessment by Risk on account of delay in transfer of title from the land aggregators), hence the same were in line as per approved DOA.

Please refer to **Exhibit 6E** for details on the justifications proposed to CMD prior to his approval

Financial impact on PFS loan account

As at March 31, 2022, provision for said loan account has been calculated basis the discounted future cash flow with 29.80 MW capacity. No incremental financial impact is there for the said loan account w.r.t. CNK observation.

C. Weak monitoring controls (incomplete information in UDIN):

<u>**PFS Response**</u>

As per the expenditure certificate, the total amount of expenditure matches with details in UDIN and promoters contribution is also part of the sources of funds for capex purposes. Hence promoters contribution is already covered in UDIN (as a total amount) (refer Exhibit 6F).

CNK Interpretation of the issue is incorrect.

However, CNK's observation has been noted and it shall be ensure in the future all CA certificates shall be verified with UDIN on ICAI portal.

<u>**Financial impact on PFS loan account**</u>

As at March 31, 2022, provision for said loan account has been calculated basis the discounted future cash flow with 29.80 MW capacity. The certificate was issued by CA, which is evidenced since details of certificate is available on ICAI UDIN portal. No incremental financial impact is there for the said loan account w.r.t. CNK observation.

CNK Conclusion:

<u>**PFS Response**</u>

Based on the above clarification and justification provided:

1. PFS aggregate disbursement is within the debt equity ratio based on the actual project expenditure incurred. Basis of CNK calculation is technically in correct and deviating from the genesis of development and commissioning of solar project. Further CNK has considered 50% capacity commissioned against 75% capacity commissioned.

2. the modification in terms and condition is within power of MD &CEO and delay in security creation with reason thereof (which was beyond promoter control) were reported to RMC and Board.
3. Total amount of expenditure is matching with details in UDIN and promoters contribution is also part of the sources of funds for capex purposes and therefor, CNK allegations are not correct.

VII. [redacted]

A. Disbursements done for clearing of overdue positions:

PFS Response

The observation is out of scope of Forensic due diligence done by CNK. As per the agreed Engagement letter, CNK was required "*to ascertain any non-disclosure of relevant information (including information which is incorrect on financial reporting, loan recovery process and in relation to any fraud established through forensic audit report on any particular account) to the Audit Committee / Board, which will have Material Impact on the financial of PFS. CNK was also required to Assess and report about implications of such missing information, if any identified, on recovery process and financial reporting of the Company for the stated period (i.e. 01st April 2019 to 31st March 2022).*

The observation of CNK is not related to financial reporting, loan recovery process and in relation to any fraud. Moreover, the disbursement being referred to was accorded in 2016 (way before the period as per engagement letter). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below.

The loan account was sanctioned by the PFS Board (in its meeting dated 11th February 2014 in the consortium lending lead by [redacted] and there were 2 other lenders [redacted] which have sanctioned the loan to the Borrower with common terms and conditions (**Exhibit 7A**).

The above CNK observation is factually incorrect.

Interest during construction ('IDC') are part of Board approved project cost which is based on interest to be paid by borrower during construction period. In a project under construction, the borrower does not have any present source of revenue to repay even the outstanding interest towards the loan. Therefore, IDC cost is a loan disbursement towards payment of outstanding interest against loan. This is an established industry practice in project financing, and the IDC cost is already estimated and accounted at the time of sanction. The facility agreement include estimated project cost break up indicating IDC as part of project cost.

Accordingly, PFS recovered the interest dues from the sanctioned loan amount. Interest recovered by PFS is within approved IDC limit (27% of Rs 217 crores of IDC) (**Exhibit 7B**). The disbursement has been made after the approval of MD&CEO as per the Delegation of Power of company.

The fact has not been presented to its completeness as in the disbursement note, PFS has clarified the basis for disbursement in overdue accounts referring to facility agreement which is represented below.

For disbursal against disbursement number 9, please refer LCN dated 30 July 2016(**Exhibit 7C**). *As per clause number 2.8 of the facility agreement, the lender can deduct from sums to be lent to Borrower the amount of obligations. The sums so deducted or adjusted shall be deemed to be disbursement made by the lenders.*

CNK has not referred to the above mentioned clause, which is there in the disbursement documents provided by PFS for review.

Further, recovery of IDC through disbursement does not qualify as ever greening since PFS has not recovered the dues by sanctioning and disbursing another loan to Borrower.

It is to be noted that in June 2020, while discussing on the issue of disbursing towards IDC in an another account, the Audit Committee/ Board has not stopped PFS from doing such disbursement and have only directed PFS to record proper justification while doing disbursement in such overdue cases.

It is also pertinent to mention that PFS along with Lead ([redacted]) and other co-lenders made many efforts for resolution of stress in the account. In this regard discussions were held with [redacted] and [redacted] Meetings were also held with the Govt. of Ar. Pradesh seeking their assistance in implementing change in Management. Subsequently, Govt of Ar. Pradesh wrote a letter to JS, MoP, GoI regarding handing over the project to a central PSU.

CNK has not understood the matter. As per agreed scope, CNK was required to have preliminary discussions with PFS management on weekly basis which was not done by CNK. Preliminary discussions as per the terms of Engagement letter would have helped CNK in detailed understanding on the matter.

<u>**Financial impact on PFS loan account**</u>

This loan account has already been technically written-off post settlement of loan under OTS, which was approved by Board, with balance outstanding, therefore there is no incremental financial impact w.r.t. this loan account on PFS financials

CNK Conclusion:

<u>PFS Response</u>

Based on the above clarification and justification provided

1. Disbursement has been done based on LCN issued by Lead Bank and as per the right stipulated in the Facility agreement.

2. Disbursement for recovery of dues does not qualify for the Evergreening as PFS has done the disbursement within sanction limit without sanction of additional loan. Evergreening of loan is a term in which a lender tries to revive a loan that is on the verge of default by granting further loans, which is not the case in the instant account

3 & 4. As mentioned, the disbursement is in line with facility agreement

5. The disbursement is in line with LCN issued by the lead/ in line with facility agreement.

VIII.[redacted]

A. Extension of Timelines for commitment and drawdown conditions:

PFS Response

The observation is out of scope of Forensic due diligence done by CNK. As per the agreed Engagement letter, CNK was required "*to ascertain any non-disclosure of relevant information (including information which is incorrect on financial reporting, loan recovery process and in relation to any fraud established through forensic audit report on any particular account) to the Audit Committee / Board, which will have Material Impact on the financial of PFS. CNK was also required to Assess and report about implications of such missing information, if any identified, on recovery process and financial reporting of the Company for the stated period (i.e. 01st April 2019 to 31st March 2022)*

The observation of CNK is not related to financial reporting, loan recovery process and in relation to any fraud. Moreover, the sanction being referred to was accorded in 2011 (way before the period as per engagement letter). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below.

The loan account was sanctioned by the PFS Board in its meeting dated 01 March 2011 (refer **Exhibit 8A**) and cost overrun facility was sanctioned by PFS Board in its meeting dated 16 March 2016 (refer **Exhibit 8B**).

Loans were sanctioned under the consortium lending led by SBI and there were 18 lenders which had sanctioned the loan to the Borrower with common terms and conditions. As per minutes of Board meeting, CMD or his authorized representative was authorised to approve and amend general terms and conditions including special conditions - pre commitment/pre-disbursement and other conditions of debt sanction as may be necessary. Further as per the Board resolution dated 27 June 2013 (**Exhibit 8C**), Board transferred all the power of CMD given by the Board to MD & CEO.

The terms and conditions mentioned in the CNK observation were duly approved through MD&CEO (after due deliberation and justification proposed by relevant department), hence the same were in line as per Delegation of Power of Company. (refer **Exhibits 8D and 8E**).

The rationale for the amendment, based on the consortium decision, have been explained in the approval note shared with CNK, however, these facts have not been brought out by CNK in its report. It is to be noted that while sanctioning the power project, these conditions are required complied by the Borrower within certain timeline as approved by the Board after the first disbursement. In the instant case, timeline extension were done for completion of railway infra, O&M arrangement, transmission line arrangement, land acquisition for facility other than main plant etc as these were required to be completed before start of operation and SCOD has been extended due to multiple reasons at that point of time.

These amendments were done by then PFS competent authority (Sh[redacted], Sh[redacted], Sh[redacted], Sh [redacted]) as per the delegation of power (refer **Exhibit 8E**) of the Company and based on the decision of consortium and these business decisions have been taken in the interest of the project based on the prevailing market dynamics. Further, these management-approved amendments have been informed to the Board for noting purpose in its quarterly meetings(refer **Exhibit 8F**).

CNK has not understood the matter. As per agreed scope, CNK was required to have preliminary discussions with PFS management on weekly basis which was not done by CNK. Preliminary discussions as per the terms of Engagement letter would have helped CNK in detailed understanding on the matter.

Financial impact on PFS loan account

This loan account has already been technically written-off post liquidation of project under IBC with balance outstanding (unrecovered amount), therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.

B. Disbursement without obtaining Lead Bank Confirmation Note (LCN) and pending compliance of Pre-Disbursement conditions:

PFS Response

The observation is out of scope of Forensic due diligence done by CNK. As per the agreed Engagement letter, CNK was required "*to ascertain any non-disclosure of relevant information (including information which is incorrect on financial reporting, loan recovery process and in relation to any fraud established through forensic audit report on any particular account) to the Audit Committee / Board, which will have Material Impact on the financial of PFS. CNK was also required to Assess and report about implications of such missing information, if any identified, on recovery process and financial reporting of the Company for the stated period (i.e. 01st April 2019 to 31st March 2022)*

The observation of CNK is not related to financial reporting, loan recovery process and in relation to any fraud. Moreover, the disbursement being referred to was accorded in 2016 (way before the period specified in the engagement letter).

The above CNK observation is factually incorrect. Disbursement against IDC is as per the Board approved financing plan and the IDC has not exceeded the capping limit in the instant loan account.

Interest during construction ('IDC') is part of approved project cost, which is towards the interest to be paid by borrower during construction period. In an under construction project, the borrower does not have any source of revenue to repay the outstanding interest towards the loan. Therefore, IDC cost is a part of loan disbursement to be utilized towards payment of outstanding interest against the loan in the project. This is an established industry practice in project financing, and the IDC cost is already estimated and accounted at the time of sanction.

The approval for cost overrun via board meeting dated 16 March 2016 (refer **Exhibit 8B**) was mainly for funding the IDC amounting to INR 24.52 cr. in the project. (out of total disbursement of INR 51 cr., remaining was to be inserted into corpus fund as per instructions from lead bank) (refer **Exhibit 8G**). Accordingly, PFS recovered the interest dues from the sanctioned loan amount. Interest recovered by PFS is within approved IDC limit.

Lead Bank vide email dated 04 Oct 2016 has communicated that Lenders shall disburse funds for functioning corpus fund as per sharing decided by Lead Bank. Corpus fund amount has been fixed by SBI and circulated to all the lenders. Accordingly, lead bank has requested entire consortium to disburse the amount in the corpus fund in which PFS share was finalized (refer **Exhibit 8H**).

CNK has not understood the matter. As per agreed scope, CNK was required to have preliminary discussions with PFS management on weekly basis which was not done by CNK. Preliminary discussions as per the terms of Engagement letter would have helped CNK in detailed understanding on the matter.

Financial impact on PFS loan account

This loan account has already been technically written-off post liquidation of project under IBC with balance outstanding (unrecovered amount), therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.

C. Disbursement without complying the security creation condition

PFS Response

The observation is out of scope of Forensic due diligence done by CNK. As per the agreed Engagement letter, CNK was required "*to ascertain any non-disclosure of relevant information (including information which is incorrect on financial reporting, loan recovery process and in relation to any fraud established through forensic audit report on any particular account) to the Audit Committee / Board, which will have Material Impact on the financial of PFS. CNK was also required to Assess and report about implications of such missing information, if any identified, on recovery process and financial reporting of the Company for the stated period (i.e. 01st April 2019 to 31st March 2022)*

The observation of CNK is not related to financial reporting, loan recovery process and in relation to any fraud. Moreover, the disbursement being referred to was accorded in 2016, (way before the period specified in the engagement letter. The loan agreement for the cost overrun did not have a provision of Corporate Guarantee and specified undertakings for all the consortium lenders. Extract of the loan agreement is produced as below (refer **Exhibit 8I**).

The Corporate Guarantee was agreed to be provided to PFS on a bilateral basis for cost overrun facility. The security confirmation given by the Company Secretary stating that the Corporate Guarantee and the undertakings have been provided to the entire consortium lenders is for the Original facility and not for the overrun facility (refer **Exhibit 8J**).

CNK has not understood the matter. As per agreed scope, CNK was required to have preliminary discussions with PFS management on weekly basis which was not done by CNK. Preliminary discussions would as per the terms of Engagement letter have helped CNK in detailed understanding on the matter.

Financial impact in PFS loan Book

This loan account has already been technically written-off post liquidation of project under IBC with balance outstanding (unrecovered amount), therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.

CNK Conclusion:

PFS Response

Based on the above clarification and justification provided

1. As per the delegation of power of Company, MD &CEO is competent authority for providing timeline extension and amendment in terms and condition and these modifications were made based on consortium decision and communication received from Lead FI (SBI).
2. Disbursement for IDC and corpus fund was done based on consortium decision and instruction issued by the Lead FI / in line with facility agreement.

IX. [redacted]

A. Disbursements done for clearing of overdue positions:

PFS Response

The loan account was sanctioned by the PFS Board in its meeting dated 22nd May 2017(refer **Exhibit 9A**). As per minutes of Board meeting, MD &CEO is competent authority for modification as per Delegation of Power of Company.

Disbursement against IDC is as per the Board approved financing plan and the IDC has not exceeded the capping limit in the instant loan account.

Interest during construction ('IDC') is part of approved project cost, which is towards the interest to be paid by borrower during construction period. In an under construction project, the borrower does not have any source of revenue to repay the outstanding interest towards the loan. Therefore, IDC cost is a part of loan disbursement to be utilized towards payment of outstanding interest against the loan in the project. This is an established industry practice in project financing, and the IDC cost is already estimated and accounted at the time of sanction (refer **Exhibit 9B**). The facility agreement include estimated project cost break up indicating IDC as part of project cost.

Further, in case where LE ('Lender Engineer') has certified in his report that in support of certain drawdowns, there should not be any further disbursement of funds by PTS India Financial Services Ltd ('PFS') towards this project, it is observed that PFS had requested LE to provide his separate opinion on the IDC portion vide email dated 29 April 2019 (refer **Exhibit 9C**). In response, LIE stated the following (below is the relevant extract):

*"This is as per our Letter No. TEPL/P.011646/BMN/027R0 dated 26th April 2019 sent thru e-mail dated 26th April 2019. Further in continuation to this Letter, Lenders may review the disbursement corresponding to **the IDC portion at their own discretion"***

Similar opinion of LIE has also been obtained by PFS on 29 July 2019 (refer **Exhibit 9D**). No separate opinion or report was obtained during November 2019. As per management, the same LIE opinion of 29 July 2019 was considered, since no progress had been made on the project and LIE has not been appointed for issuance for his report/ certificate during this period. The reasons for project being at standstill and liquidity constraints can also be seen in internal approval letter of MD/ CEO obtained for November 2019 disbursement.

Based on the above, it can be seen the IDC disbursement for April, July and November 2019 has been made in line with LIE's consultation.

Further, as per the initial/ first disbursement advice dated 24 November 2017, a total cost of INR 42.50 crs had been allotted towards IDC out of the total project cost of INR 408 crs (refer **Exhibit 9B**). Till 28 February 2019, only INR 14.48 crs was incurred towards IDC as stated in the CA certificate. Subsequently, PFS made the following disbursements towards IDC in 2019 for the said project (refer **Exhibit 9E & 9F**):

Please note that CA certificate of 24 May 2019 had been used for the disbursement advice towards 29 November 2019, since the Element 3 of the project was at standstill and the borrower was facing liquidity constraints. In this regard, please note that disbursement in November 2019 was made only towards IDC and an internal approval was obtained from MD/ CEO of the company* (refer **Exhibit 9G).

Based on the above, it can be observed that the cost towards IDC incurred till November 2019 of Rs 31.5

crores had not exceeded the estimated/ budgeted IDC cost of Rs 42.5 crores.

The discussion was placed in 4 RMC meetings held during the period January 2020 to July 2020. Further PFS recovery of overdue through IDC disbursement was discussed in detail in Audit Committee meeting dated 12 June 2020. Audit committee advised extra focus for all such accounts and proper documentation and justification to be recorded before further disbursement in all such accounts. The above advise of Audit committee was recorded in the minutes of Board meeting dated 29 October 2020. The above direction of Board and Audit Committee is being adhered subsequently (refer **Exhibits 9H, 9I & 9J**).

Further, recovery of IDC through disbursement does not qualify as ever greening since PFS has not recovered the dues by sanctioning and disbursing another loan to Borrower.

CNK has not understood the matter. As per agreed scope, CNK was required to have preliminary discussions with PFS management on weekly basis which was not done by CNK. Preliminary discussions as per the terms of Engagement letter would have helped CNK in detailed understanding on the matter.

Financial Impact on PFS account :

This loan account has already been technically written-off post settlement of loan by change in promotor with balance outstanding, which was approved by Board. Therefore, there is no incremental financial impact w.r.t. this loan account on PFS financials.

B.Disbursement without compliance to pre-disbursement conditions:

PFS Response

In connection to the observation, we would like to submit the following:

1. *Observations pertaining to disbursement advice dated 30 April 2019 towards IDC:*

The LIE drawdown certificate dated 26 April 2019 (refer **Exhibit 9K**) obtained prior to release of April disbursement towards IDC.

It is to be noted that the LIE in his above certificate has not indicated any "Event of Default" on account of the above issues. Even under the pre-disbursement conditions agreed upon in the initial disbursement advice date 24 November 2017 (refer **Exhibit 9L**), LE report (dated 23 November 2017) has been referred, wherein it has been stated that all necessary permits, approvals and statutory and non- statutory clearances required at the initial stage had already been obtained. However, forest clearances are to be obtained at a later stage and the same are not critical as on date.

As per the above, it can be seen that there was no non-compliance of any critical pre-disbursement conditions during PFS disbursement.

2. *Observations pertaining to disbursement advice dated 30 July and 29 November 2019 towards IDC:*

It has been pointed out that the LIE in his drawdown certificate dated 02 July 2019 (referred to in disbursement advice of 30 July and 29 November 2019) has stated that there is an "Event of Default" by borrower, since scheduled COD (i.e 22nd June 2019) of Element 2 has not been achieved and of Element 3 has been pushed to March 2020.

The Transmission Service Agreement ("TSA") (refer **Exhibit 9M**)signed states that an "Event of Default" takes places only in case of "*The failure* to commission any Element of the Project by the date failing six

(6) months after its Scheduled COD" and unless it is a force majeure.

Based on the above, it can be seen that as on disbursement dates (i.e. both July and November 2019), the six months from scheduled COD has not been completed, and so the case fails to qualify as an event of default. In case of force majeure, the same does not fall in the definition of "Event of default".

CNK has not understood the matter. As per agreed scope, CNK was required to have preliminary discussions with PFS management on weekly basis which was not done by CNK. Preliminary discussions as per the terms of Engagement letter would have helped CNK in detailed understanding on the matter.

Financial Impact on PFS account :

This loan account has already been technically written-off post settlement of loan by change in promotor with balance outstanding, which was approved by Board. Therefore, there is no incremental financial impact w.r.t. this loan account on PFS financials.

CNK Conclusion:

PFS Response Based on the above clarification and justification provided 1. Disbursement is within IDC amount in the financing plan approved by the Board. MD& CEO. As per the delegation of power of Company, MD &CEO is competent authority for providing timeline extension and amendment in terms and condition 2. recovery of IDC through disbursement does not qualify as ever greening since PFS has not recovered the dues by sanctioning and disbursing another loan to Borrower. 3. Disbursement for recovery of dues was done based on the right of recovery stipulated in the Facility agreement

X.[redacted]

A. Non creation of charge for Security:

PFS Response

The observation is out of scope of Forensic due diligence done by CNK. As per the agreed Engagement letter, CNK was required "*to ascertain any non-disclosure of relevant information (including information which is incorrect on financial reporting, loan recovery process and in relation to any fraud established through forensic audit report on any particular account) to the Audit Committee / Board, which will have Material Impact on the financial of PFS. CNK was also required to Assess and report about implications of such missing information, if any identified, on recovery process and financial reporting of the Company for the stated period (i.e. 01st April 2019 to 31st March 2022).*

The observation of CNK is not related to financial reporting, loan recovery process and in relation to any fraud. Despite of the above observation being out of scope, however, to give full clarity, the management response is given below.

The loan account was sanctioned by the PFS Board in its meeting dated 27th September 2019.[redacted], MD&CEO was excused in the meeting for discussion on the agenda (refer **Exhibit 10A**).

As per Delegation of Power of Company, MD &CEO is competent authority for extension in timeline for security creation. In the instant loan account Borrower has created security for item no c) and d) before disbursement as listed in CNK observation.

As per the consortium meeting of term lenders of PEL, dated 10th Oct'19 (extract produced below) (refer **Exhibit 10B**), *it was discussed that the funds position of PEL shall be reviewed again subsequently existing lenders of working capital limits may also seek charge on receivables of* [redacted] *against their facilities extended to Company which are presently unsecured. Term lender agreed to consider the same if required. Further,* [redacted] *was also advised that PFS may be requested to grant an extension of time for security creation and perfection till March 2020.*

Hence, the security for PFS' debt could not be created at that point of time and the same was to be reviewed again by the lenders. The non-creation of security was constantly reported to PFS' RMC and Board on quarterly basis. (refer **Exhibit 10C**). In the meanwhile, the account was closed after receiving the amount due back in 2 years during October 2021.

CNK has not understood the matter. As per agreed scope, CNK was required to have preliminary discussions with PFS management on weekly basis which was not done by CNK. Preliminary discussions as per the terms of Engagement letter would have helped CNK in detailed understanding on the matter.

Financial Impact on PFS account :

As on March 31, 2022, this loan has been fully repaid, therefore there is no financial impact in the loan account.

B. Rate of Interest not at Arms' length:

PFS Response

The observation of CNK is also factually incorrect.

As per the Audit committee in its meeting dated 27 Sep 2019, the Rate of Interest factor was considered with following remarks *"The same is in line with PFS policy for working capital demand loan and in line with the medium term facility to other borrowers"***(refer Exhibit 10D)**

Further, PFS has not provided WCDL to any other related party or any third party till date.

The rate of interest of the facility and spread applicable was in compliance with PFS' Policy of Working Capital Demand Loan (WCDL).

The reference to the Corporate Debt was given in the agenda note as the internal rating model for WCDL was not available and the rating was carried out on Corporate Loan model. The rating so obtained and the spread so applicable based on the same was given only for reference purpose in the agenda note. However, the loan was structured as WCDL only and thus the applicable interest rate was checked as per the WCDL policy only which was in compliance with the policy stated. **(refer Exhibit 10E).**

Financial Impact on PFS account :

As on March 31, 2022, this loan has been fully repaid, therefore there is no financial impact in the loan account.

CNK Conclusion:

PFS Response

Based on the above clarification and justification provided

1. Timeline for security from first disbursement is as per Board approved condition. As per the delegation of power of Company, MD &CEO is competent authority for providing timeline extension

2. CNK has not presented complete fact of audit committee decision, which states that the rate of interest is in line with rate provided to other borrowers for medium term facility. PFS ROI is as per the policy.

XI.[redacted]

A. Possible evergreening by disbursals in overdue account

<u>PFS Response</u>

The observation is out of scope of Forensic due diligence done by CNK. As per the agreed Engagement letter, CNK was required "*to ascertain any non-disclosure of relevant information (including information which is incorrect on financial reporting, loan recovery process and in relation to any fraud established through forensic audit report on any particular account) to the Audit Committee / Board, which will have Material Impact on the financial of PFS. CNK was also required to Assess and report about implications of such missing information, if any identified, on recovery process and financial reporting of the Company for the stated period (i.e. 01st April 2019 to 31st March 2022).*

Therefore, the observation of CNK is not related to financial reporting, loan recovery process and in relation to any fraud. Moreover, the disbursement being referred to was accorded in 2014, (way before the period of audit specified in the engagement letter). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below.

The loan account was sanctioned by the PFS Board in its meeting dated 12th January 2010 in the consortium lending led by [redacted] and there were 8 lenders consisting of [redacted] which sanctioned the loan to the Borrower with common terms and conditions (refer **Exhibit 11A**). As per minutes of Board meeting, CMD or his authorized representative was authorised to approve and amend general terms and conditions including special conditions - pre commitment/pre-disbursement and other conditions of debt sanction as may be necessary in the spirit of the consortium. Further as per the Board resolution dated 27 June 2013, Board transferred all the power of CMD given by the Board to MD & CEO.

The terms and conditions mentioned in the CNK observation were duly approved through MD&CEO (after due deliberation and justification proposed by relevant department), hence the same were in line as per Delegation of Power of Company.

The rationale for the amendment, based on the consortium decision, have been explained in the approval note shared with CNK, however, these facts have are missing in the observation made by CNK. It is to be noted that while sanctioning the power project, these conditions were required to be complied by the Borrower within certain timeline as approved by the Board after the first disbursement. The amendments were done by PFS as per the delegation of power of the Company and based on the decision of consortium and these business decisions have been taken in the interest of the project based on the prevailing market dynamics.

Further, these management-approved amendments have been informed to the Board for noting purpose in its quarterly meetings. Please refer to **Exhibit 11B** for details on the justifications proposed to then MD (Sh[redacted]) for his approval.

The amendment for extension in timeline for tie-up of equity and thereby relaxation of DE ratio and timeline extension for coal supply agreement were done considering the delay in infusion of equity from PE investor on account of multiple sectoral reasons and cross country hassle for signing fuel supply agreement for imported coal to be procured from Indonesia prevailing at that point of time.

Regarding the disbursement made by PFS against IDC, the above CNK observation is factually incorrect. Disbursement against IDC is as per the Board approved financing plan and the IDC has not exceeded the capping limit in the instant loan account. It is to be noted that the 2 disbursements mentioned above are in line with the LCN issued by Lead bank [redacted] and it is in spirit of consortium (refer **Exhibits 11C & 11D**). The disbursement was approved by then MD &CEO (Sh[redacted]) based on the justification and rationale for project status and at the same time revival plans were under consideration by Consortium.

Also, PFS share in total funding was 6.77% (INR 120 cr.). Total IDC capping on the loan account was INR 277 cr. Therefore, PFS share in IDC capping was 18.75 cr. In the current case, the disbursement against adjustment of IDC was INR 9.54 cr (refer **Exhibit 11E**).

Interest during construction ('IDC') is part of approved project cost, which is towards the interest to be paid by borrower during construction period. In an under construction project, the borrower does not have any source of revenue to repay the outstanding interest towards the loan. Therefore, IDC cost is a part of loan disbursement to be utilized towards payment of outstanding interest against the loan in the project. This is an established industry practice in project financing, and the IDC cost is already estimated and accounted at the time of sanction. The facility agreement include estimated project cost break up indicating IDC as part of project cost.

Further, recovery of IDC through disbursement does not qualify as ever greening since PFS has not recovered the dues by sanctioning and disbursing another loan to Borrower. It is to be noted that in June 2020, while discussing on the issue of disbursing towards IDC in an another account, the Audit Committee/ Board has not stopped PFS from doing such disbursement and have only directed PFS to record proper justification while doing disbursement in such overdue cases.

CNK has not understood the matter. As per agreed scope, CNK was required to have preliminary discussions with PFS management on weekly basis which was not done by CNK. Preliminary discussions as per the terms of Engagement letter would have helped CNK in detailed understanding on the matter.

Financial Impact on PFS account :

This loan account has already been technically written-off post liquidation of project under IBC with balance outstanding (unrecovered amount), therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.

CNK Conclusion:

PFS Response

Based on the above clarification and justification provided

1. Disbursement is within IDC amount in the financing plan approved by the Board. The facility agreement include estimated project cost break up indicating IDC as part of project cost. As per the delegation of power of Company, MD &CEO is competent authority for providing timeline extension and amendment in terms and condition

2. Project status have been reviewed as part of disbursement note approved by MD & CEO.

3. It is a fact that the entire amount has been written off and PFS has reported the account as Fraud to RBI.

XII. [redacted]

A. Curtailment of CRO Powers:

PFS Response

The observation is out of scope of Forensic due diligence done by CNK. As per the agreed Engagement letter, CNK was required "*to ascertain any non-disclosure of relevant information (including information which is incorrect on financial reporting, loan recovery process and in relation to any fraud established through forensic audit report on any particular account) to the Audit Committee / Board, which will have Material Impact on the financial of PFS. CNK was also required to Assess and report about implications of such missing information, if any identified, on recovery process and financial reporting of the Company for the stated period (i.e. 01st April 2019 to 31st March 2022).*

The observation of CNK is not related to financial reporting, loan recovery process and in relation to any fraud. Despite of the above observation being out of scope, however, to give full clarity, the management response is given below.

The loan account was sanctioned by the PFS Board in its meeting dated 31st December 2018. As per Delegation of Power of Company, MD &CEO is competent authority for modification in terms and conditions as mentioned in the CNK observation. (refer **Exhibit 12A**)

Till June 2019, there was no specific RBI circular regarding roles and responsibilities of CRO and therefore till such period, an independent department i.e. Risk Team was functioning to ensure the effectiveness of Risk management policy. Also at the same time there was no specific direction from Board also to create such interface mechanism. The interface mechanism was earlier created on 21 Nov 2016 based on the need of PFS management that point of time. The objective of the interface mechanism was to identify the list of modifications in the sanction terms and condition to be reassessed by risk team.

In May'19, RBI came out with the circular no. RBI/2018-19/184 DNBR (PD) CC.no.099/03.10.001/2018-19 dated 16 May 2019 (refer **Exhibit 12B**) for the requirement of CRO in NBFC for the first time wherein the roles and responsibilities of CRO was clearly defined. Based on the RBI circular, CRO was appointed for the first time in 2019 by the Board in its 116th meeting in June 2019. PFS had placed an agenda for the approval of appointment of CRO (in line with RBI circular mentioned above) (refer **Exhibit 12C**) defining the roles and responsibilities of CRO in the Nomination Committee meeting of

PFS held on 21 June 2021 (refer **Exhibit 12D**), which was subsequently approved by PFS' Board as per board meeting dated 21 June 2021 (refer **Exhibit 12E**). Based on the Board approval, the circular for appointment and roles and responsibilities of CRO was issued by PFS in Oct'21. There is no contravention in Board direction.

Based on the same roles and responsibility of CRO approved in the Board meeting in June 21, the amendment in the instant case dated Dec'21, was not required to be put up through the CRO, which has been confirmed by CRO as well via email dated 03 Nov'21.

Further the proposed amendment has been approved MD &CEO who is the competent authority as per the delegation of power of Company and even considering the risk interface approved in Nov 2016, the amendment in loan account does not require risk assessment.

The amendment was proposed for i) descoping have resulted in reduction in project cost and reduction debt amount in Board approved Debt Equity ratio, and ii) extension in SCOD by 3 months. These amendments do not impact project financial viability of the project and extension in SCOD by 3 months is well within RBI circular which allows extension of project COD upto 2 years without any impact on financing. The above amendment has been done in line with consortium with approval of Lead FI and subsequently, intimated to the Board in its meeting held for closing of respective quarter.

It is also to be noted that project has achieved the COD and payment of dues upto date.

CNK has not understood the matter. As per agreed scope, CNK was required to have preliminary discussions with PFS management on weekly basis which was not done by CNK. Preliminary discussions as per the terms of Engagement letter would have helped CNK in detailed understanding on the matter.

Financial Impact on PFS account :

Based on the above explanation, there is no financial impact for this loan account w.r.t. CNK observation.

CNK Conclusion:

PFS Response

Based on the above clarification and justification provided

1. Roles and responsibility of CRO is based on the Board approved terms of appointment, which are based on RBI circular.

The post of CRO did not exist in 2016. It was created vide RBI circular dated June 2019. RBI circular of June 2019, regarding creation of post of CRO and its roles and responsibility was considered in PFS Board meeting dated June 2019. Further, for re-appointment of CRO in 2021, RBI circular was re-submitted to the Board alongwith agenda for appointment of Sh [redacted] as CRO. The appointment order of Sh [redacted] subsequent to Board approval was issued with list of the roles and responsibility mutatis and mutandis with RBI circular. The approval of CRO appointment is in compliance of RBI circular. Hence, the observation of CNK is factually incorrect.

XIII. [redacted]

Disbursement done for clearing of overdue position

<u>**PFS Response**</u>

The loan account was sanctioned by the PFS Board in its meeting dated 13th Feb 2018(*refer exhibit 13A*) under consortium arrangement with [redacted] as Lead FI. (other lenders are [redacted], [redacted]

Disbursement was done against IDC as per the Board approved financing plan and Disbursement was done based on LCN issued by the Lead FI [redacted]

Interest during construction ('IDC') is part of project cost approved by the Board, which is towards the interest to be paid by borrower during construction period. In an under construction project, the borrower does not have any source of revenue to repay the outstanding interest towards the loan. Therefore, IDC cost is a part of loan disbursement to be utilized towards payment of outstanding interest against the loan in the project. This is an established industry practice in project financing, and the IDC cost is already estimated and accounted at the time of sanction. The facility agreement include estimated project cost break up indicating IDC as part of project cost.

With cumulative disbursement by all lenders, the loan outstanding of lenders including PFS is within original sanctioned limit. Further, the Funds were disbursed to the TRA account and IDC were paid through TRA.

It is to be mentioned that there has not been any increase in sanctioned limit by PFS and PFS has done the disbursement in TRA as per the LCN issued by the Lead FI in consortium arrangement based on the conditions stipulated in the Facility Agreement. As per the information received, the account status in the books of lead lender and one of co lender, who has participated in the LCN of lead FI, is standard.

In general parlance, the evergreening of loan is a term in which a lender tries to revive a loan that is on the verge of default by granting further loans which is not the case in the instant account. Recovery of IDC through disbursement does not qualify as evergreening since PFS has not recovered the dues by sanctioning and disbursing another additional loan to Borrower. As per RBI circular, lenders are allowed to fund the IDC and also fund increase in IDC.

CNK has not understood the matter and its observation are speculative in nature. As per agreed scope, CNK was required to have preliminary discussions with PFS management on weekly basis which was not done by CNK. Preliminary discussions as per the terms of Engagement letter would have helped CNK in detailed understanding on the matter.

<u>**Financial Impact on PFS account:**</u>

Provision in this loan account has been made as per ECL model as on 31.03.2022 and no further provision is expected in PFS books as on 31.03.2022.

CNK Conclusion:

PFS Response

Based on the above clarification and justification provided, it may be noted that

1. Disbursement was done based on LCN issued by the Lead FI. The Funds were Disbursed to the TRA account and IDC were recovered through TRA. The facility agreement include estimated project cost break up indicating IDC as part of project cost.
   In general parlance, the evergreening of loan is a term in which a lender tries to revive a loan that is on the verge of default by granting further loans which is not the case in the instant account. Recovery of IDC through disbursement does not qualify as evergreening since PFS has not recovered the dues by sanctioning and disbursing another additional loan to Borrower.

XIV. [redacted]

A. Disbursement done despite slow progress of the project

PFS Response

The observation is out of scope of Forensic due diligence done by CNK. As per the agreed Engagement letter, CNK was required "*to ascertain any non-disclosure of relevant information (including information which is incorrect on financial reporting, loan recovery process and in relation to any fraud established through forensic audit report on any particular account) to the Audit Committee / Board, which will have Material Impact on the financial of PFS. CNK was also required to Assess and report about implications of such missing information, if any identified, on recovery process and financial reporting of the Company for the stated period (i.e. 01st April 2019 to 31st March 2022).*

The observation of CNK is not related to financial reporting, loan recovery process or in relation to any fraud. Further CNK observation is beyond audit review period (01st April 2019- 31st March 2022). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below:

Disbursement was done based on LCN issued by the Lead FI [redacted] and also based on the direction provided by Lead FI via email dated Sept 04, 2018. The disbursement note was approved by MD &CEO based on the justification provided in the note as per the approved delegation of power.

As on September 2018, physical Progress was 35.82% against planned 60.67% and Financial Progress was 38.79% in the instant project. As per the LIE report of September 2018 (*please refer 14A*), LIE confirmed that *COD can still be achieved within the scheduled date if Concessionaire takes steps to make up the lag in coming months.*

Further, As highlighted in Disbursement note dated November 14, 2018 (*please refer 14B*), "*Lead Bank via email dated Sept 04, 2018 has clarified that issue with respect to land was discussed in consortium meeting held at project site on August 06, 2018. Till now lenders have disbursed ~32% of their share. The project progress is ~28% as on date and Land availability is ~54% (~22 kms out of ~41 kms). On the request of the company, Lead Bank has decided to further disburse till ~50% of the facility. Further, Lead Bank is planning to have joint site visit and consortium meeting in December. Lead Bank has also informed that it will review the progress of the project before making any further disbursement over and above 50%. MoM of lenders meet is placed at Annexure G. (refer exhibit 14C).*

In view of the above, PFS may also consider disbursement only upto ~50% in line with Lead Bank and as *confirmed by the Lead Bank in future. As instant disbursement is falling within 50% (40.05% post instant disbursement) it has been considered for processing for approval."*

Therefore, the disbursement was made on the basis of LCN issued by lead bank ([redacted]in line with consortium spirit. The Funds were Disbursed to the TRA account and IDC were recovered through TRA.

CNK has not understood the matter. As per agreed scope, CNK was required to have preliminary discussions with PFS management on weekly basis, which was not done by CNK. Preliminary discussions as per the terms of Engagement letter would have helped CNK in detailed understanding on the matter.

Financial impact on PFS loan account:

Provision in this loan account has been made as per ECL model as on 31.03.2022 and no further provision is expected in PFS books as on 31.03.2022

CNK conclusion:

PFS Response

Based on the above clarification and justification provided, it may be noted that

1. Disbursement was done based on LCN issued by the Lead FI and also based on the direction provided by Lead FI via email dated Sept 04, 2018.

XV. [redacted]

A. Possible Evergreening of the Loan account.

PFS Response

The observation is out of scope of Forensic due diligence done by CNK. As per the agreed Engagement letter, CNK was required "*to ascertain any non-disclosure of relevant information (including information which is incorrect on financial reporting, loan recovery process and in relation to any fraud established through forensic audit report on any particular account) to the Audit Committee / Board, which will have Material Impact on the financial of PFS. CNK was also required to Assess and report about implications of such missing information, if any identified, on recovery process and financial reporting of the Company for the stated period (i.e. 01st April 2019 to 31st March 2022).*

The observation of CNK is not related to financial reporting, loan recovery process or in relation to any fraud. Further CNK observation is beyond audit review period (01st April 2019- 31st March 2022). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below:

The loan account was sanctioned by the PFS Board in its meeting dated 13th Oct 2010. As per minutes of Board meeting *(refer exhibit 15A)*, CMD or his authorized representative was authorised to approve and amend general terms and conditions including special conditions: pre-commitment/pre-disbursement and other conditions of debt sanction as may be necessary in the spirit of the consortium. Further as per the Board resolution dated 27 June 2013, Board transferred all the power of CMD given by the Board to MD & CEO. *(refer exhibit 15B)*

The disbursements made in instant project when the account was in overdue as mentioned in the CNK observation were duly approved through the then MD & CEO (after due deliberation and justification proposed in the disbursement note) (*refer exhibit 15C*), hence the same were in line as per Delegation of Power of PFS.

For the disbursements made without the receipt of LCN dated 27 September 2016, PFS was in receipt of the Borrower request which(refer exhibit 15D), the disbursement was duly approved through the then MD & CEO (after due deliberation and justification proposed in the note) which is as per Delegation of Power of Company.

For the disbursements made without the receipt of LCN dated 22 February 2017 and 20 June 2017, the Joint Lender Meeting (JLM) (Lead [redacted] co lenders [redacted] minutes dated January 23, 2017 were in place, which permitted adjustment of overdue IDC of the lenders against their undisbursed commitment (refer *exhibit 15E*). The disbursement was duly approved through the then MD & CEO (after due deliberation and justification proposed by relevant department) which as per Delegation of Power of Company.

CNK has not understood the matter. As per agreed scope, CNK was required to have preliminary discussions with PFS management on weekly basis which was not done by CNK. Preliminary discussions as per the terms of Engagement letter would have helped CNK in detailed understanding on the matter.

Financial Impact on PFS account:

This Loan account has been technically written-off in PFS books in FY2019. No further financial impact is expected in PFS books.

B. Non-compliance of pre-disbursement condition

PFS Response

The observation is out of scope of Forensic due diligence done by CNK. As per the agreed Engagement letter, CNK was required "*to ascertain any non-disclosure of relevant information (including information which is incorrect on financial reporting, loan recovery process and in relation to any fraud established through forensic audit report on any particular account) to the Audit Committee / Board, which will have Material Impact on the financial of PFS. CNK was also required to Assess and report about implications of such missing information, if any identified, on recovery process and financial reporting of the Company for the stated period (i.e. 01st April 2019 to 31st March 2022).*

The observation of CNK is not related to financial reporting, loan recovery process or in relation to any fraud. Further CNK observation is beyond audit review period (01st April 2019- 31st March 2022). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below:

The condition stipulated as pre-disbursement condition (PDC) for the initial drawdown was provided the timeline extension till November 30, 2011 by the Lead Lender [redacted] as per the LCN dated October 18, 2011. In line with the above extension, PFS has also taken the approval from the then CMD for extension of timelines (after due deliberation and justification proposed in the note) which is in line as per Delegation of Power of Company. (*refer exhibit 15F & 15G*)

As per extended timelines, the conditions were complied for disbursement. (Refer Annexure C of Disbursement Note dated November 08, 2011).

CNK has not understood the matter. As per agreed scope, CNK was required to have preliminary discussions with PFS management on weekly basis which was not done by CNK. Preliminary discussions as per the terms of Engagement letter would have helped CNK in detailed understanding on the matter.

Financial Impact on PFS account:

This Loan account has been technically written-off in PFS books in FY2019. No further financial impact is expected in PFS books.

CNK Conclusion:

PFS Response

Based on the above clarification and justification provided, it may be noted that

1. In general parlance, the evergreening of loan is a term in which a lender tries to revive a loan that is on the verge of default by granting further loans which is not the case in the instant account. Recovery through disbursement from the existing loan does not qualify as evergreening since the instant project was under construction phase during the time of disbursement & PFS has not recovered the dues by sanctioning and disbursing another additional loan to Borrower.
2. The timeline extension for the PDC mentioned by CNK was already provided by Lead Lender [redacted] and PFS also provided the extension in timeline in line with Lead Lender. As per extended timelines, the conditions were complied for disbursement.

PFS Index of Exhibits for [redacted] and [redacted] with all the relevant supporting:

Sr.No.	Particulars
1.	Exhibit 1A - Justifications proposed to MD
2.	Exhibit 1B - Extract showing loan agreement
3.	Exhibit 1C - Extract showing disbursement date
4.	Exhibit 1D - Extract of Board agenda dated 28 Jan 2014
5.	Exhibit 1E - Extract of Board agenda dated 28 Jan 2014
6.	Exhibit 1F - Extract of NOC and Board minutes
7.	Exhibit 1G - Snapshot of Certificate from statutory auditor and promoter of Borrower company
8.	Exhibit 1H - Board Agenda mentioning CIBIL and statutory auditor certificate
9.	Exhibit 1I -Extract of the minutes of Board meeting dated 28 January 2014
10.	Exhibit 1J - Extract of the legal opinion from [redacted] [redacted], Legal Counsel of PFS
11.	Exhibit 1K - Extract of Board minutes approving the OTS policy in June 2020
12.	Exhibit 1L - Extract of Risk Report Issued on 12th Oct 2020
13.	Exhibit 1M - Extract of Minutes of Business Committee meeting held on 17 Oct'20
14	Exhibit 1N - Extract of Agenda note minutes of Board meeting held in May-Sept 2022
15	Exhibit 1O -Extract of Disclaimer given by forensic auditor
16	Exhibit 1P - Extract of the views of Hon'ble Mr. Justice (Retd.) [redacted]
17	Exhibit 1Q- Extract of legal opinion from [redacted] Senior Advocate
18	Exhibit 1R - Extract of RBI directions guidelines
19	Exhibit 1S - Extract of minutes of 133rd Board meeting dated 17th May 2021
20	Exhibit 1T - Extract of the ack received from [redacted] against on letterhead 12 Feb 2014

21	Exhibit 1U - PFS has also obtained email confirmation from [redacted] via email dated 07 April 2017
22	Exhibit 1V - Extract of the risk report dated 12 Oct 2020
23	Exhibit 1W - Extract of email letter to co promoter to pledge the pro addn shares
24	Exhibit 1X- Business Committee Agenda Note - [redacted]OTS

Exhibits submitted by PFS in support of the response prepared for [redacted]

Exhibit 1A - Justifications proposed to MD

[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	
	Security. [illegible]	[illegible]	[illegible] Financial Implication: [illegible]

[illegible]

[illegible]

Page 2 of 2

Exhibit 1B - Extract showing loan agreement

BRIDGE LOAN AGREEMENT

This Bridge Loan Agreement (this "Agreement") is made at New Delhi on this 10th day of March, 2014, by and amongst:

(1) [redacted], a company incorporated under the Companies Act, 1956 and having its registered office at [redacted], Door No. 8-2-684/2/A, 4th Floor, Road No. 12, Banjara Hills, Hyderabad - 500 034, India (hereinafter referred to as the "Borrower" or [redacted] which expression shall, unless repugnant to the context, be deemed to include its successors and permitted assigns) of the FIRST PART; and

(2) **PTC INDIA FINANCIAL SERVICES LIMITED**, a public limited company duly incorporated and existing under the provisions of the Companies Act, 1956 (as hereinafter defined) and having its registered office at 2nd Floor, NBCC Tower, 15 Bhikaji Cama Place, New Delhi - 110066, India, and corporate office at 7th Floor, Telephone Exchange Building, 8 Bhikaji Cama Place, New Delhi 110066 acting in its capacity as the lender (hereinafter referred to as the "**Lender**" or "**PFS**", which expression shall, unless repugnant to the context, be deemed to include its successors and assigns) of the SECOND PART;

Each of the parties mentioned above, are hereinafter collectively referred to as the "**Parties**" and individually as a "**Party**".

Exhibit 1C - Extract showing disbursement date

PTC India Fiancial Services Limited

First Disbursement

Loan No : DN0401002 Date: March12, 2014

Name of the Company : [redacted]

Project Loan of Rs. (cr)	NA
PFS share in Rs. (cr)	125.00 cr

1. PFS exposure (as on March11, 2014)

(Rs crore)

Nature of facility/assistant, Sanctioning authority & date of sanction	Sanctioned Amount	Disbursed Amount	O/s.	Overdue, if any (Company / Group)
Bridge Loan of Rs. 125.00 cr (under sub – limit of Rs 150.00 cr long term loan sanctioned by PFS). Sanctioned vide 57th Board meeting Dated January28, 2014	125.00	-	-	-

Exhibit 1D – Extract of Board agenda dated 28 Jan 2014

Repayment	The repayment of the interest shall be monthly. The conversion of short term bridge loan into long term loan or repayment would as follows: i. After the compliance of all pre-disbursement conditions and at the time of first disbursement under any agreement entered with term loan lenders, the proportional amount of PFS (in proportion to the disbursement of long term loan by the consortium) would be converted into long term loan at the applicable PFS interest rate for long term loan applicable for the category of

[illegible] PTC India Financial Services Ltd

Appraisal Cum Agenda Note
Bridge loan of Rs [illegible] crores

Coal based Thermal Power Plant ([illegible]), [illegible]
Angul District, Odisha

	project on the day of conversion and the balance would be repaid back to PFS. Thereafter, subsequent disbursements would be proportionate to other lenders. ii. The outstanding bridge loan amount in excess of proportionate long term loan amount of PFS in the first disbursement shall be repaid back to PFS and shall be a legitimate expenditure in the first draw down request and the same needs to be captured in the loan documents. iii. The bridge loan is repayable within 2 year from the date of disbursement (with one year moratorium and four equal quarterly instalments) or the time till the first disbursement from the long term lenders takes place, whichever is earlier. iv. If the bridge loan is not converted into long term loan because the borrower is not interested to continue with the long term loan, the loan could be repaid by borrower as bullet repayment with all the interest, penal interest (if any) and other expenses outstanding (if any) along with a repayment penalty which is as follows: • 1% repayment penalty would be levied on the repaid amount, if the loan in full or in part is repaid within 180 days from the date of initial disbursement • NIL repayment penalty would be levied on the repaid amount, if the loan in full or in part is repaid after 180 days from the date of initial disbursement Before first disbursement, Company shall arrange suitable acknowledgement from [illegible] lead FI of the consortium, to the satisfaction of PFS, for availing bridge loan by PFS for the Project and the repayment to Bridge loan facility shall be allowed from the disbursement by term lenders.

Exhibit 1E – Extract of Board agenda dated 28 Jan 2014

Need for Bridge Loan	As the Company is yet to comply with certain terms and conditions related to execution of PPA, FSA as stipulated in the CLA which is not expected to be complied shortly and therefore the first disbursement is also expected to be delayed. Therefore Company has approached PFS for bridge loan assistance under the term loan already sanctioned for the project for meeting the capital expenditure for the project in order to continue the project development till first disbursement from long term lenders. The development activities proposed under bridge loan facility mainly include land acquisition, construction of facilities for the construction power, access road, boundary wall, labour colony etc. Based on the assessment made by PFS, the above development activities are required to be carried out in the initial phase of construction for similar capacity of the plant.

Exhibit 1F - Extract of NOC and Board minutes

PTC India Financial Services Ltd

Item no. 57.23 Proposal for bridge loan of Rs 125 Crores to M/s. [redacted]

The proposal for bridge loan of Rs 125 Crores (carved out of original long term loan of Rs 150 Crores) to M/s [redacted] was explained to the Board as per terms and conditions mentioned in the agenda note.

M/s [redacted] proposes to set up a supercritical coal based coastal thermal power plant in district Angul, Odisha. [redacted] is part of [redacted] group. M/s [redacted], Promoter Company, is the Holding Company of the [redacted] Group. The proposal of long term loan of Rs 150 Crores for the project was sanctioned in the 180th "Board of Directors" (BOD) meeting held on Feb 11, 2017 (under down-selling from [redacted] - Lead FI). The Company has achieved financial closure, however, disbursement is yet to happen as pre-disbursement conditions (PDC's) with respect to execution of PPA and FSA have not been complied. The Company has requested PFS for sanctioning of the bridge loan of Rs 125 Crores under the long term loan of Rs 150 crores sanctioned by PFS, for the purpose of acquisition of land and other capital expenditure of the Project, until the Company receives first disbursement from long term lenders. Apart for the project security under the term loan the conditions for Personal Guarantee of Mr. [redacted], Corporate Guarantee of [redacted] and 20% share pledge of [redacted] have been stipulated. After discussion, the Board passed the following resolution: -

"Resolved that a Bridge Loan of Rs 125 crores (Rupees One Hundred and Twenty Five Crores) to M/s [redacted] PL) for capital expenditure towards supercritical coal based coastal [redacted] MW in District Angul, Odisha on the terms and conditions as mentioned in the agenda note, be and is hereby approved.

Further resolved that MD& CEO or his authorized representative is authorized to approve and amend general terms and conditions including special conditions - pre commitment/pre-disbursement and other conditions of debt sanction as may be necessary and to execute the loan agreements and other related agreements including security agreement and register the charge on assets with the Registrar of Companies and to take such other necessary actions including for assignment agreement of assignment of assets of [redacted] to PFS's lenders or any other agreement in this regard."

Financial Implication

Exhibit 1G – Snapshot of Certificate from statutory auditor and promoter of Borrower company

☎ 0863 - 2233781

[redacted], CHARTERED ACCOUNTANTS

11/1, Arundelpet, GUNTUR - 522 002
e-mail : auditreport@gmail.com

Date........25.02.2014

India Financial Services Limited,
floor, NBCC Tower,
Bhikajicama Place,
i 110025

r Sirs,

the Bridge Loan Facility of Rs. 125,00,00,000/- (Rupees One Hundred and Twenty Five Crore only) sanctioned by PTC India Financial Services Limited to M/s [redacted]

e, the Statutory Auditors of M/s [redacted], having its registered office at 8-2-a/2/A, 4th Floor, NSL Icon, Road No.12, Banjara Hills, Hyderabad-500034 (hereinafter Company"),We have gone through the Memorandum and Articles, Books of Accounts and Statutory egisters of the Company and certify as follows:

- We hereby certify that till date hereof, the Company has not defaulted under any of loan/facility agreements to which it is a party. Furthermore it has been regularly servicing its debt obligations towards its respective lenders in accordance with the terms and conditions set out in the agreements entered into with the respective lenders.
- We hereby certify that all statutory dues are paid on or before the due dates with short delay in some instances, whereas in respect of dues pertaining to Tax deducted at Source under Income Tax Act, 1961 is due for the current financial year as per Annexure I.
- We hereby certify that all the Directors on the Board of M/s [redacted] have not been disqualified under any of the provisions of Companies Act, 1956 till the date we audited up to March 31, 2013.

For [redacted]
Chartered Accountants
Firm Reg. No. 002039S

GUNTUR

Exhibit 1H - Board Agenda mentioning CIBIL and statutory auditor certificate

Appraisal Cum Agenda Note Bridge loan of Rs 125 crores	Coal based Thermal Power Plant (2 x 660 MW), SNPIPL Angul District, Odisha

The commissioning of project is scheduled for FY 17 and therefore currently not in priority list of signing of FSA. It is expected that once CIL is through with projects which are on priority basis i.e. projects being commissioned by FY14-15, the decision of execution of FSA would take place for the projects already received long term linkages including the instant Project.

Even in worst case scenario if the FSA is not executed within tenor of bridge loan leading to non-availability of initial disbursement from long term lenders, PFS has stipulated additional security as collateral viz. Corporate Guarantee of [redacted] which is the ultimate holding company of [redacted] personal guarantee of Promoter i.e. Mr [redacted]'s pledge of shares of [redacted] which is the holding company of energy division of [redacted] group. Also PFS has worked out cash projections of [redacted] and [redacted] as per which the cumulative cash accruals for FY14, FY15 & FY16 is expected to be around Rs. 1015 crores and if the same is routed through dividend route, the dividends that could accrue [redacted] i.e. Rs. 423 crores [redacted] – Rs. 302 crores, [redacted] – Rs. 41 crores) which may be used by the group to pay back dues of PFS under this facility.

d) **Location:** As the project is coming up in vicinity of coal mines of [redacted] (around 30km), the transportation cost of linkage coal (70% of total coal requirement) will be minimized thus reducing the landed cost of coal on site.

e) **Financial Closure & Loan Documentation completed:** The Project has achieved financial closure and the loan documents have been executed on September 19, 2012 amongst the Company, [redacted] and [redacted]. PFS is yet to execute accession/novation deed and become part of consortium as PFS term loan was sanctioned (under down-selling from REC) subsequent to CLA execution.

6. Default Status and Track Record with FIs/Banks and credit standing

As per the CIBIL (Credit Information Bureau India Ltd.) database the names of the promoter company, Applicant Company and the directors of these companies, applicant and promoter, do not appear in the list of Suit Filed Accounts (willful defaulter) cases. As per available CIBIL reports, none of the credit facility available with the group companies viz [redacted] and other subsidiaries with respect to power business have been classified as Sub Standard. As per the Auditors Report on Annual accounts of [redacted], [redacted], [redacted] and [redacted] FY, the companies have not defaulted in repayment of dues to FIs or banks.

A confidential opinion had been sought by PFS from the major Bankers of [redacted] group during term loan appraisal. PFS had received satisfactory conduct of accounts from [redacted] and [redacted] in March 2013. However, updated opinion has been sought for these bankers again. The response from other Banks is awaited.

It has been observed that one of the group company [redacted] Ltd has gone to CDR and the CDR package for Rs 596 crs has been approved in March 2013. As on 30[th] November 2013, CDR lenders have disbursed total Rs 142 crs out of total sanction of additional loan of Rs 304 crs. Also Rs 212 crs has been

Exhibit 11 -Extract of the minutes of Board meeting dated 28 January 2014

[redacted]

PTC INDIA FINANCIAL SERVICES LTD
NEW DELHI

MEMORANDUM FOR THE BOARD MEETING

Agenda Item no. 58.5

Subject: [illegible] Board sanctions (since [illegible] RaD Meeting held on [illegible] January 2014)

A. Loan Sanctions where PFS is the Sole Lender or Lead Lender or under multiple banking arrangement
B. Loan Sanctions where PFS is a part of a Consortium of Lenders

A. [illegible]			
Sr. No.	Original Clause	Amended Clause	Rationale
	1. Name of Company: [redacted]		
	Rate of Interest: PFS shall charge Interest Rate in the following manner: i. [illegible] 2% over and above the applicable interest rate of PFS for its sanctioned long term facility: 15.75% p.a. i.e. (13.75% + 2%) ii. From [illegible] half years from the date of initial disbursement: 16.75% p.a. i.e. (13.75% + 3%)	PFS shall charge Interest Rate in the following manner: i. [illegible] the applicable interest rate of PFS for its sanctioned long term facility: 15.50% p.a. i.e. (13.50% + 2%) ii. [illegible] from the date of initial disbursement: 16.50% p.a. i.e. (13.50% + 3%) iii. From [illegible]	[illegible] **Financial Implication:** Interest rate is reduced by 25 bps which will have a financial implication [illegible]

Exhibit 1J - Extract of the legal opinion from [redacted], Legal Counsel of PFS

3.3 There is strong merit in the case of PFS, as it has not realized any value from the shares on which the pledge was invoked. If PFS's argument is accepted by the Hon'ble Supreme Court, the RP would then accept the entire claim of PFS as a financial creditor, and PFS would become a part of the COC of [redacted] with majority voting share. However, even after becoming a member of the COC, the amount which PFS would ultimately receive as against its outstanding would depend on the resolution or liquidation of [redacted] as the case may be. It is also important to keep in mind that as IBC is a recent legislation, not much precedents are available, and there can thus be no certainty as to the decision of the Hon'ble Supreme Court in the appeal pending before it. In this context, PFS needs to ascertain the possibility of recovering its dues.

Exhibit 1K - Extract of Board minutes approving the OTS policy in June 2020

From:	[redacted]
Sent:	04 October 2022 4:36 PM
To:	[redacted]
Cc:	Amit Kumar Shukla
Subject:	EXTRACTS OF 127TH BM DATED 23.06.2020

EXTRACTS OF 127TH BM DATED 23.06.2020

Item No. 127.25 (Deferred agenda item No. 124.34): Approval of "Framework/Guidelines on Resolution of Stressed/NPA Assets through 'One Time Settlement'(OTS)/Compromise Settlement with the Borrower/ Promoter/Guarantor/New Investor" and "Framework/Guidelines on Settlement/Sale of Securities/Collaterals"

The Framework/Guidelines on Resolution of Stressed/NPA Assets through 'One Time Settlement'(OTS)/Compromise Settlement with the Borrower/ Promoter/Guarantor/New Investor" and "Framework/Guidelines on Settlement/Sale of Securities/Collaterals" was explained to the Board as per details mentioned in the agenda note. The Board was also informed that initial scope to the Gr. of Directors for settlement related to the OTS cases only while framework/guidelines also cover sale of assets and collaterals.

The Board was informed that the Gr. of Directors for Policy review has approved and recommended to the Board the Framework/Guidelines on Resolution of Stressed/NPA Assets through "One Time Settlement"(OTS)/Compromise Settlement with the Borrower/ Promoter/Guarantor/New Investor" and "Framework/Guidelines on Settlement/Sale of Securities/Collaterals".

The Board discussed the various aspects related to the Framework/Guidelines and after detail deliberations passed the following resolution: -

"Resolved that the attached 'Framework/Guidelines on Resolution of Stressed/NPA Assets through One Time Settlement (OTS)/Compromise Settlement with the Borrower/ Promoter/Guarantor/New Investor" and 'Framework/Guidelines on Settlement/Sale of Securities/Collaterals acquired by PFS under SARFAESI Act or through enforcement of any other legal recourse" be and is hereby approved.

Further resolved that the delegation of 'Group of Directors to Consider the Settlement Proposals" (GOD) shall also include Settlement/Sale of Securities/Collaterals acquired by PFS under SARFAESI Act or through enforcement of any other legal recourse including approval of revision of Reserve Price of Securities/Collateral as stipulated in the Guidelines."

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Exhibit 1L - Extract of Risk Report Issued on 12th Oct 2020

Risk Report: [redacted] One Time Settlement offer from the Promoter of [redacted], dated 12th October 2020

Sub: [redacted] Proposal for One Time Settlement (OTS) with [redacted] Rs 90 crores against the outstanding amount of Rs 278.88 crores (as on 30th June 2020)

Executive Summary of the proposal:

[redacted] was sanctioned long-term debt financial assistance of Rs 150 crores vide 43rd Board of Directors meeting held on 11th February 2013, under the down-selling arrangement of [redacted]

. .

> Such settlement agreement should be entered by both the parties in a time bound manner and the same should be filed before the Hon'ble Supreme Court, so that appeals pending before the Hon'ble Supreme Court may be disposed off.

As [redacted] continues to remain in default of the terms and conditions under Bridge Loan Agreement, and with other lender, the safeguards for the above aspects need to be adopted to ensure successful implementation of OTS offer. Given the track record of the borrower / promoter on compliance of covenants, any additional safeguards by the SARC may also be added.

Devesh Singh
Chief Risk Officer – PFS

12th - October - 2020

Exhibit 1M - Extract of Minutes of Business Committee meeting held on 17 Oct'20

2. Item No. 1.4 M/s [redacted] MW (2 x 660 MW) coal based thermal power project at district Angul, Odisha: Proposal for "One Time Settlement (OTS) received from the Promoter [redacted]

A presentation on the One Time Settlement ("OTS") proposal for [redacted] was explained to the Committee as per details mentioned in the agenda note.

The Committee was informed that PFS had sanctioned a bridge loan of Rs 125 crores to NSL which was setting up a coal based project of 1320 MW (2x660 MW) in Angul district of Orissa. The bridge loan was carved out of the term loan of Rs 200 crores sanctioned by PFS in June 2013 as part of consortium lending led by [redacted] co lenders being [redacted] The bridge loan of Rs 125 crores was to be utilized towards creation of basic infrastructure, land development, advance to the contractors pending disbursement from term lenders led by [redacted] including PFS. The account became NPA in March 2017.

The Committee was informed about the background of the project, security package i.e project security, personal guarantee, corporate guarantee, pledge of shares, post dated cheques, recovery steps taken by PFS, the legal cases filed by PFS regarding the cheque bouncing case u/s 138, the status of the resolution process in NCLT, present status, Initial Offer and Final Offer and other terms of Offer as per details mentioned in the agenda note. The Committee was further informed that in the instant project PFS has principal outstanding of Rs 125 crores and a provisioning of Rs 37.5 crores as on June, 2020 has already been made.

It was further informed to the Committee that as per the OTS offer, PFS will get amount of Rs 90 crores against its dues out of which Rs 27 crores will be paid in cash i.e. 30% of Offer Amount, (Rs 4.5 crores as EMD amount payable upfront and balance amount of Rs 22.5 crores payable within 90 days from the date of execution of settlement agreement). Further, Rs 63 crores will be payable in four (4) equal quarterly instalments starting 91st day and ending 450th Day from the date of execution of settlement agreement.

The Committee was further informed that in the instant proposal the settlement agreement will be in such a way that if the borrower defaults on the OTS proposal then the original loan agreement will remain in force. Further, as per the proposal, fresh Post Dated Cheques (PDCs) amounting to same as the bounced cheques (for which case u/s 138 is ongoing) to be issued by same entity and signed by its promoters/ directors (the same promoter who had signed the existing cheques) in favour of PFS. It was also informed to the Committee that all Original documents related to securities as well as all other security related documents given to PFS by all parties shall be released on payment of entire OTS amount i.e. Rs 90 (Ninety) crores.

3

The Committee discussed the various aspects related to the proposal including the legal impacts of the case pending in NCLAT and also legal position of the Company. The Committee also noted that settlement offered was in the month of May, 2019 and was revalidated with revised terms in the month of July 2020.

The Committee also discussed the risk report of CRO on the proposal. The Committee also noted that various points has been highlighted in risk report and response of the same is mentioned in the agenda.

It was also informed to the Committee that this is an NPA account and resolving this would have positive impact on PFS's balance sheet. The Committee was further informed that the resolution of NPA accounts will add lot of value in PFS's balance sheet and overall performance of the Company. After detailed discussion, the Committee was of the view that, as it is apparent that the Promoter has the resourcefulness and a shorter timeline would be in line with the OTS Guidelines, PFS may further negotiate with the borrower/ promoter to increase the offer and also to reduce the time period for Tranche-2 from existing period of 450 days. Further, the Committee also desired the management response on the observations of the risk department may be discussed with the risk department. The Committee desired that agenda may again be placed to the next meeting of the Business Committee after the negotiations.

Exhibit 1N – Extract of Agenda note minutes of Board meeting held in May-Sept 2022

From: [redacted]
Sent: 01 October 2022 3:52 PM
To: [redacted]
Cc: [redacted]
Subject: Extracts of minutes of BM as required in respect of NSL

Extracts of 146th BM held on 16th May, 2022

Item no. 146.5 M/s [redacted] 1320 MW (2 x 660 MW) coal based thermal power project at district Angul, Odisha: OTS offer from [redacted] Status update on the action taken on the direction given by the Board and suitable guidance for further action

The subject agenda item was deferred.

....

Extracts of 148th BM held on 25th June, 2022

Item No. 148.12- M/s [redacted] 1320 MW (2 x 660 MW) coal based thermal power project at district Angul, Odisha: OTS offer from [redacted] Status update on the action taken on the direction given by the Board and suitable guidance for further action (updated agenda related to deferred agenda item No. 146.5)

The subject agenda item was deferred by the Board.

....

Extracts of 149th BM held on 18th July, 2022

Item No.149.22 M/s [redacted] 1320 MW (2 x 660 MW) coal based thermal power project at district Angul, Odisha: OTS offer from [redacted] Status update on the action taken on the direction given by the Board and suitable guidance for further action

The subject agenda item was deferred by the Board.

....

Extracts of 150th BM held on 5th Aug, 2022 (MOM unsigned)

Item No. 150.9 M/s [redacted] 1320 MW (2 x 660 MW) coal based thermal power project at district Angul, Odisha: OTS offer from [redacted] Status update on the action taken on the direction given by the Board and suitable guidance for further action (Deferred agenda)

The subject agenda item was deferred by the Board.

....

Exhibit 10 -Extract of Disclaimer given by forensic auditor

1.4. Limitations/Disclaimers/Intellectual Property/ Restrictions

7. Our report is based on limited documents and data as all our efforts in getting the information from the company and the interim resolution professional remained futile.
8. We have presented our findings in the form of a Report. Our report is prepared for PFS only. Our report is based on documents made available to us by the client. Our report should not be relied upon by any other party (Third Party). We do not accept any responsibility or liability to a Third Party to whom our report maybe shown or in whose hands it may come. The report should not be published or reproduced in part or in whole without prior intimation to us.
9. PFS agrees to treat our Report as confidential and, except to the extent that we have given our express written consent or as required by law or regulation, it will not make the Report available to any Third Party.
10. In the event the recipient wishes to share our report with any third party they would need a Release Letter from each of the third party, with whom the report is proposed to be shared, wherein each of the recipient will have to agree that it would not acquire any rights as a result of such access that it would not otherwise have had and would acknowledge that we do not assume any duties or obligations to it in connection with such access.
11. PFS agrees to release us and our team from any claim that arises as a result of us permitting it the access to the report.
12. Our work is limited to extraction of such information and explanations as provided by the company.
13. We are not liable for any damages arising out of the use of our report or our services other than as set out in the engagement letter.
14. Future services regarding this subject matter of this report, including, but not limited to testimony or attendance in court, shall not be required of [illegible] or any of its employees unless previous arrangements have been made in writing.
15. Contract payments and entries related to share capital has only been based on mapping of the bank accounts.

Exhibit 1P - Extract of the views of Hon'ble Mr. Justice (Retd.) [redacted]

It is clear that appropriate action was taken by PFS in relation to the default in loan account of [redacted] Whether any further action could be taken, is speculative, and cannot be opined upon.

I have nothing further to add. Opined accordingly

JUSTICE [redacted]

DELHI
12.05.2021

Exhibit 10- Extract of legal opinion from [redacted] Senior Advocate

[redacted]
SENIOR ADVOCATE
Ph.D (Law)

OPINION EX PARTE

QUERIST

Forensic Audit Report

Exhibit 1R - Extract of RBI directions guidelines

भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

RESERVE BANK OF INDIA
DEPARTMENT OF NON-BANKING SUPERVISION
CENTRAL OFFICE, CENTRE I, WORLD TRADE CENTRE
CUFFE PARADE, COLABA, MUMBAI - 400 005.

RBI/DNBS/2016-17/49
Master Direction DNBS. PPD.01/66.15.001/2016-17 **September 29, 2016**

NOTIFICATION

Master Direction - Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016.

4. In case no frauds are detected, applicable NBFCs are not required to submit 'Nil' report to Frauds Monitoring Cell/Regional Offices of Department of Non-Banking Supervision of the Bank. At the same time enough precautions should be taken by applicable NBFCs to ensure that the cases reported by

Exhibit 1S – Extract of minutes of 133rd Board meeting dated 17th May 2021

From: [redacted]
Sent: Saturday, June 20, 2021 [illegible] PM
To: [redacted]
Cc: [illegible]
Subject: [illegible]

Dear Arun,

With reference to the trailing e-mail as desired by you, following are the relevant extracts of minutes of 133 meeting on 17th May, 2021, while the minutes of 132[nd] meeting of the Board is yet not finalised.

....

Item no. 133.2 Discussion amongst the Board members on [redacted]

As the item pertained to a discussion on the report of the Committee of Independent Directors on [redacted] the Board desired that only the Board members should be present during the discussions. The Co. Secy. [illegible] himself from the discussion.

The Board was informed that report of the Committee of the Independent Directors along with all the [illegible] documents were already circulated to the Board members. It was further informed that some additional [illegible] were also circulated by the MD & CEO to the Board. Members of the Board mentioned that they had reviewed all the documents.

Mrs. [redacted] and Mr. [redacted], members of the Committee of Independent Directors [redacted] informed the Board about the timeline for submission of the report. They summarised that the Forensic Audit Report raises a doubt and leads to the suspicion of fraud. The Committee, therefore, [illegible] concern and mentioned the issues involved. The Committee expressed that apart from compliance, issues [illegible] governance, transparency, accountability and responsibility for timely reporting. The actions recommended [illegible] Committee are threefold - a) report to RBI b) Set up an internal committee or engage an external advisor [illegible] the internal control weaknesses that are evident and c) strictly abide by the Company's policy on Fraud M[illegible] and Reporting (May 2016). The Chairman also invited the views of each Board members. The Board [illegible] the report of the Committee of Independent Directors in detail.

Members of the Board discussed various aspects of the matter, and were of the view that there is no [illegible] involved, rather the issues involved relate to disclosures, compliances and governance. The [illegible] summarised as follows:

1. The matter should be reported to RBI as a suspected fraud, the reporting to be done by the manag[illegible] consultation with the audit committee. In parallel the Borrower should be requested to supply the [illegible] documents so that the forensic audit could be completed early.

2. Audit Committee to look into the apparent weaknesses in internal controls, review the important SoPs [illegible] the scope and coverage of Internal Audit.

3. A view on the OTS offer by the promoters of [redacted] be taken only after the response is received from RBI [illegible] matter, and a conclusive forensic audit report is available.

After detailed discussions, the Board adopted the report of the Committee of Independent Directors.

The Board also expressed that its displeasure regarding the conduct of the matter be recorded.

Regards

[redacted]

From: [redacted]@ptcfinancial.com>
Sent: 15 June 2021 19:05
To: [redacted]@ptcfinancial.com>; [redacted]@ptcfinancial.com>
Cc: [redacted]@ptcfinancial.com>
Subject: Board MoM on NS.

Dear [redacted]

Kindly share the approved Board MoM of [redacted] for the meeting held on 17th May 2021 as well as 8th - 9th June 2021

Thanks & Regards
[redacted]

Exhibit 1T – Extract of the ack received from [redacted] against on letterhead 12 Feb 2014

February 12, 2014

To
The General Manager (Gen-II),
[redacted]
Core – 4, Scope Complex,
7, Lodhi Road
New Delhi – 110003

Kind Attention: Shri [redacted]

Sub: [redacted] – 2 X 600 MW Thermal Power Project be set up in Angul District, Odisha – Availing of Bridge Loan facility from PFS

Dear Sir,

We wish to bring to your kind attention the latest update on the project progress as on date

- MoU which was in the name of [redacted]) and expired [illegible] 2013 has been renewed and Supplementary MoU has been executed by Odisha Govt with [redacted] on January 28, 2014
- Company has incurred an amount of around Rs. 240 Crore till date.
- PTC India Financial Services Limited (PFS) has sanctioned Long Term Loan of Rs. 150 Crore [illegible] June 2013 to be part of the Consortium Lenders and we propose to reduce the [redacted] Port[illegible] from Rs. 397.58 Crore to Rs. 247.58 Crore for which we will be seeking permission from [redacted] execute the amended Common Loan Agreement (CLA) with PFS as the Consortium Lender al[illegible] with the amendments for additional sanction from [redacted] and [redacted] for Rs. 900 Crore and Rs. [illegible] Crore respectively.

We would like to bring to your notice, to meet the urgent requirements of the Project, Company [illegible] approached PFS for sanction of Bridge Loan to the extent of Rs. 125 Crore (Sanction letter enclosed) within the sanctioned Term Loan of Rs. 150 Crore which will be adjusted/repaid from the f[illegible] disbursement by the Long Term Lenders.

This is for your information and records.

Thanking you,

For [redacted]

[redacted]
(A Government of India Enterprise)

No.[redacted]Gen-II/NSL/2013-14/ 225 / 1870 Date: 03rd Mar. 2014

To

Shri. [redacted]
NSL ICON, 4th Floor,
#8-2-684/2/A,
Road No: 12, Banjara Hills
Hyderabad - 500 0034

SUB - Financial Assistance of Rupee Term Loan of Rs. 2900 Crore to M/s [redacted] for setting up of 1320 MW (2 x 660 MW) coal based Thermal Power Project based on super critical technology (the 'Project') at Talchar Village, Talchar Taluk Angul District, Odisha.

Ref: (i) NSL Letter dated 12.02.2014. (ii) REC email dated 03.02.2014.

Dear Sir,

With reference to your letter dated 12.02.2014, updating [redacted] on the project progress, you are requested to provide the following information:

1. Copy of the Supplementary MoU Executed by the company with Govt. of Odisha.
2. Latest CA Certificate for the sources and Utilisation of Funds.
3. Copy of the sanction letter of PFS for the Term Loan Assistance of Rs 150 Cr.

It is further brought to your notice that [redacted]s additional sanction of Rs 900 Cr has expired and we have not yet received any communication for revalidation of the aforesaid loan from your side. In this regard, your response to the above referred email is awaited. Further, it is understood that that the entire Underwritten portion of [redacted]s sanction has been downsold and entire debt component has been tied up. In this regard, you are requested to expedite the documentation process and intimate [redacted] so that the matter can be taken up with the LLC.

Thanking You

Yours faithfully,
For Rural Electrification Corporation Limited,

(Sushant Haritas)
Sr. Eng. (Gen-II)

Exhibit 1U - PFS has also obtained email confirmation from [redacted] via email dated 07 April 2017

[redacted]

From:	[redacted] <[illegible]@gmail.com>
Sent:	07 April 2017 15:00
To:	[redacted]ptcfinancial.com
Cc:	[redacted]
Subject:	[redacted]ification requested

Dear Sir

Pursuant to the trailing mail, we acknowledge that (i) the letter dated 12th Feb 2014 was received by [redacted], and (ii) that the [redacted] dated 03.03.2014 as attached in your email is certified true as sent by RFC to the borrower.

We hope the aforesaid satisfies your requirement.

Thanks and Regards

[redacted]

[illegible]

Exhibit 1V – Extract of the risk report dated 12 Oct 2020

Risk Report: [redacted] One Time Settlement offe from the Promoter [redacted] i.e. [redacted] ated 12th October 2020

Sub: [redacted]: Proposal for One Time Settlemen (OTS) with [redacted] for Rs 90 crores against the outstanding amoun of Rs 278.88 crores (as on 30th June 2020)

Executive Summary of the proposal:

[redacted]) was sanctioned long-term debt financial assistance of Rs 150 crores vide 48th Board of Directors meeting held on 11th February 2013, under the down-selling arrangement of [redacted].

Further, upon the request of [redacted] PFS sanctioned bridge loan of Rs 125 crores as a sub-limit of the sanctioned long term debt facility of Rs 150 crores vide its 57th Board of Directors meeting held on 28th January 2014. Bridge loan facility was sanctioned primarily to meet capex requirement of the project, mainly towards acquisition of part of land and other capital expenditure. Bridge Loan agreement was executed on 10th March 2014 and subsequently disbursement of the entire bridge loan facility was made on 12th March 2014.

However, the event relating to PFS joining the consortium of lenders/novation of CLA did not materialise, and as on date, the novated CLA is yet to be executed. Thus, as a result PFS continued to be remain as a sole lender to the project.

The conduct of the loan account was not satisfactory, as loan account showed first signs of stress as early as October 2014, i.e. 6 months from the date of disbursement.

> Such settlement agreement should be entered by both the parties in a time bound manner and the same should be filed before the Hon'ble Supreme Court, so that appeals pending before the Hon'ble Supreme Court may be disposed off.

As [redacted] continues to remain in default of the terms and conditions under Bridge Loan Agreement, and with other lender, the safeguards for the above aspects need to be adopted to ensure successful implementation of OTS offer. Given the track record of the borrower / promoter on compliance of covenants, any additional safeguards by the SARC may also be added.

[redacted]
Chief Risk Officer – PFS

12th - October - 2020

Exhibit 1W – Extract of email letter to co promoter to pledge the pro addn shares

BY COURIER/REGD. AD

February 13, 2017

To,
[redacted]
Door no. 8-2-684/2/A, Plot no. 1 to 4,
4th Floor, Road no. 12, Banjara Hills,
Hyderabad – 500 034, Telangana

13. It was never assured that PFS will not initiate proceedings under Section 138 of the NI Act for dishonor of PDCs after August 31, 2016. Further, pursuant to the said letter of December 6, 2016, PFS called upon the Borrower to make requisite arrangements to facilitate PFS in conducting a financial due diligence of the Borrower company; and also called upon the Borrower to pledge additional shares of [redacted] to make good the shortfall arising out of issuance of additional shares of [redacted] which resulted in reducing the pledge in favor of PFS to 14.98% of the equity share capital of [redacted] (as against the 26% required to be pledged under the Bridge Loan Agreement read with the deed of pledge dated March 10, 2014).

Exhibit 1X- Business Committee Agenda Note - [redacted] OTS

PTC India Financial Services Ltd.

Memorandum for the Business Committee of Board

Agenda Item No........

Sub: M/[redacted] 1320 MW (2 x 660 MW) coal based thermal power project at district Angul, Odisha: Proposal for 'One Time Settlement (OTS) received from the Promoter i.e[redacted]

1. **Background**

PFS had sanctioned a bridge loan of Rs 125.00 Crores in the 57th board meeting held on 28th Jan 2014 to [redacted] which was setting up a coal based project of 1320 MW (2x660 MW) in Angul district of Orissa. The bridge loan was carved out of the term loan of Rs 150 Crores sanctioned by PFS in June 2013 as part of consortium lending led by [redacted] co-lenders being [redacted] & [redacted] The disbursement of Rs 125 Crores was made to the company on 12th Mar 2014. The bridge loan of Rs 125 Crores was to be utilized towards creation of basic infrastructure, land development, advance to the contractors pending disbursement from term lenders led by [redacted], including PFS. The repayment of the bridge loan was to start after a moratorium of 12 months in 4 quarterly instalments or to be converted into long term loan sanctioned by PFS, along with the disbursement from the consortium lenders.

The bridge loan was secured through mortgage of immovable property of the project and hypothecation of movable property of the project, 85.54% pledge of shares of [redacted] 26% pledge of shares of held by [redacted] (Holding Company) in [redacted] a sister company of [redacted] (the pledge was reduced to 14.98% owing to issuance of additional shares by [redacted] without issuing proportionate shares to PFS. PFS has written many times to the Borrower Company to comply with the conditions of the Bridge Loan Agreement i.e. to pledge the shares upto the required percentage as agreed, but the same was not done), Corporate Guarantee (CG) of the promoter company i.e. [redacted] and Promoter Director's Personal Guarantee (PG). Further, [redacted] also provided 16 post-dated cheques (PDCs) from [redacted] one of the [redacted] group companies [redacted] - 4 towards quarterly principal repayment obligations and the balance 12 towards one year of interest payment obligations.

Due to various issues impacting power sector, the borrower was not in a position to comply certain PDCs of term loan and therefore the bridge loan could not be repaid/converted into term loan as per the sanction terms of bridge loan. The loan was rescheduled wherein the repayment dates were extended. However, [redacted] defaulted in its interest payment obligations to PFS and [redacted]'s account became irregular. PDCs issued by [redacted] were also dishonored by the banks. Owing to such defaults and dishonour of cheques, PFS was constrained to issue various notices to [redacted] and/or its promoters and group companies between April 2016 and July 2016, including the loan recall notice dated June 3, 2016, the notices under the personal and corporate

PFS Index of Exhibits for [redacted] with all relevant supporting:

Sr.No.	Particulars
1.	Exhibit 2A - Extract for the repayment of loan first time
2.	Exhibit 2B -Prepayment Notice - 20 Dec
3.	Exhibit 2C - E-mail extract for the repayment of loan-third time
4.	Exhibit 2D - Extracts of Certificate issued
5.	Exhibit 2E - Extracts of the same from ICAI UDIN Portal
6.	Exhibit 2F - The extract of the loan agreement, for compliance of debt-equity ratio
7.	Exhibit 2G - Borrower confirmation on the same received at the time of disbursement
8.	Exhibit 2H - Email extract stating Borrower could not utilize the Funds
9.	Exhibit 2I - Extract of Minutes of board meeting dated 21 June 2021

Exhibits submitted by PFS in support of the response prepared for [redacted]

Exhibit 2A - Extract for the repayment of loan first time

[redacted]

August 23, 2021

To,

Mr. [redacted]
PTC India Financial Services Ltd. (PFS)
[illegible]

Subject: Prepayment Notice – Loan No [illegible]

Dear Sir

[illegible]

[illegible]

[illegible]

[illegible] [redacted] [illegible]

Thanking You,

[redacted]
Authorised Signatory

Exhibit 2B -Prepayment Notice - 20 Dec

[redacted]

December 20, 2021

To,

M[redacted]
PTC India Financial Services Ltd. (PFS)
7th Floor, Telephone Exchange Building
8, Bhikaji Cama Place, New Delhi 110066

Subject: Prepayment Notice – Loan No. DO1311002 of Rs. 250 Crore

Dear Sir,

We are thankful to PTC Financial Services for disbursement of the corporate loan facility.

We intend to inform you that prepayment of the facility is being planned to be made by the Company on December 27, 2021 in accordance with the Clause 9.1- Voluntary Prepayment of the Facility Agreement dated June 28, 2021.

We would like to thank PTC for their support and would like to apprise that since this is a revolving facility, we look forward to avail disbursement under the same to support fund requirements of other Projects under implementation going forward as per the fund requirements of the [redacted]roup.

We request that after prepayment, as above, a letter of confirmation regarding no-dues outstanding under the Facility may kindly be issued along with a no-objection letter for release of security created on the movable assets, shares and unsecured loans of Project SPVs (i.e. [redacted] And [redacted]d.) suitably please.

Thanking You,

[redacted]
Authorised Signatory

v

Exhibit 2C - E-mail extract for the repayment of loan_third time

[redacted]

From: [redacted]
Sent: 01 April 2022 12:39
To: [redacted]
Cc: [redacted]
Subject: Prepayment Notice - [redacted]50 Cr

Dear PFS Team,

Thanks for disbursement yesterday. The fund requirements o[redacted]are delayed however so we would like to prepay the entire facility on 02-04-2022 from our own sources, and would like to request for waiver of the notice period.

Please find below calculation of interest for your confirmation.

Repayment Amount	250,00,00,000.00
Interest	13,49,315.07
Total	250,13,49,315.07

Regards
[redacted]

Exhibit 2D - Extracts of Certificate Issued

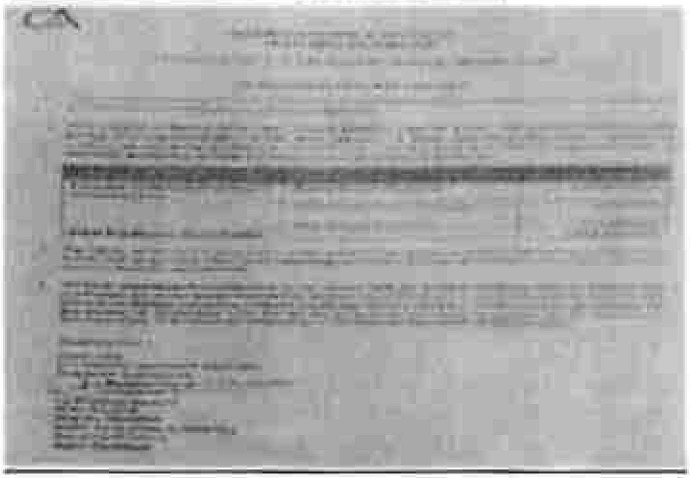
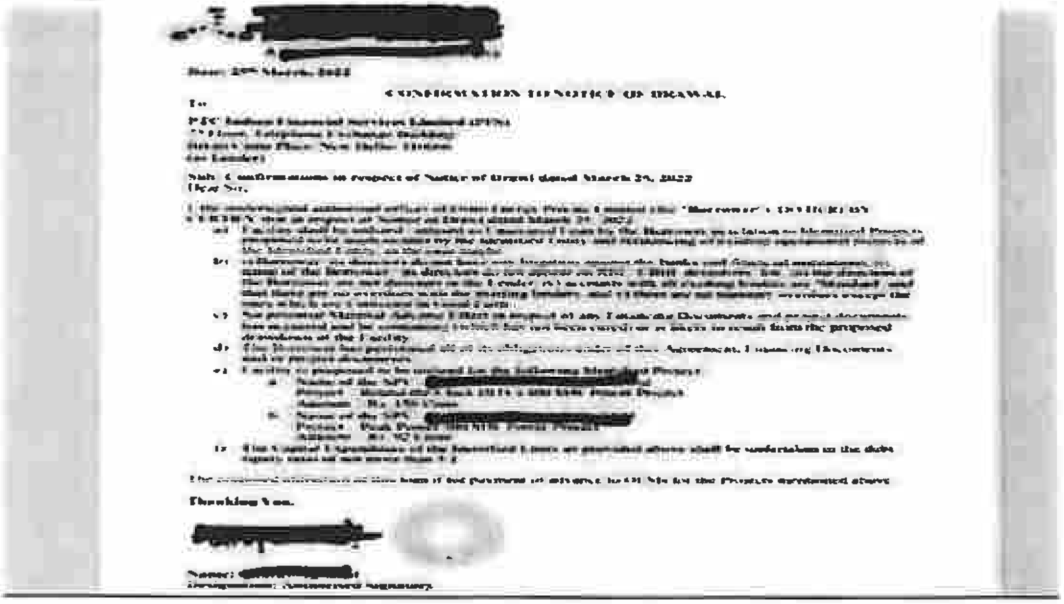


Exhibit 2E - Extracts of the same from ICAI UDIN Portal

Exhibit 2F - The extract of the loan agreement, for compliance of debt-equity ratio

(iii) The Capital Expenditure of the Identified Entity shall be undertaken in the debt equity ratio of not more than 3:1 and the same shall be certified by the Borrower or the Chartered Accountant and be submitted to the Lender (for the expenditure incurred in the respective Identified Project); where the Unsecured Loan shall be infused in the Identified Entity and equity contribution shall be brought in by the Promoter/Sponsor from their own sources.

Exhibit 2G - Borrower confirmation on the same received at the time of disbursement



[redacted]

CONFIRMATION TO NOTICE OF DRAWAL

Thanking You.

[redacted]

Name: [redacted]

Designation: Authorised Signatory

Exhibit 2H - Email extract stating Borrower could not utilize the funds

[redacted]

From: [redacted]
Sent: 01 April 2022 12:39
To: [redacted]
Cc: [redacted]
Subject: Prepayment Notice - OEPL 250 Cr

Dear PFS Team,

Thanks for disbursement yesterday. The fund requirements o[redacted] are delayed however so we would like to prepay the entire facility on 02-04-2022 from our own sources, and would like to request for waiver of the notice period.

Please find below calculation of interest for your confirmation.

Repayment Amount	250,00,00,000.00
Interest	13,49,315.07
Total	250,13,49,315.07

Regards
[redacted]

PFS Index of Exhibits for [redacted] with all the relevant supporting:

Sr.No.	Particulars
1.	Exhibit 3A - Legal advice from [redacted]
2.	Exhibit 3B - Compliance of disbursement condition
3.	Exhibit 3C- Minutes of Meeting
4.	Exhibit 3D-Patel ATR to Board

Exhibits submitted by PFS in support of the response prepared for [redacted]

<u>Exhibit 3A - Legal advice from [redacted]</u>

2/10/22, 8:20 AM Mail - Mohit Seth - Outlook

Re: Clarification on [redacted]

[redacted]
Thu 1/20/2022 9:34 AM
To: [redacted]

Hi Mohit

This condition is captured in clause 14 which is a clause pertaining to condition precedent to disbursement

[redacted]

M +91 98101 30461 T +91 11 4121 5100
D +91 11 4121 5143 E KMitroo@LUTHRA.COM

Formerly [redacted]
Due to the global COVID-19 situation and to contain the spread of the virus, we have temporarily closed our offices and have implemented remote working arrangements for our attorneys. Our attorneys will remain responsive to your needs and may be reached by email or mobile phone, as usual. Please bear with us in case of any inadvertent delays, as we transition to these alternate arrangements. Should you require any assistance, please reach out to the concerned lead counsel or relationship partner for your matter. If you are unable to reach the concerned attorneys you may email us at [illegible] for any assistance.
1st & 9th Floors, Ashoka Estate, Barakhamba Road,
New Delhi 110 001 India
www.luthra.com

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Unintended recipients of this email are prohibited from disseminating, distributing, copying or using its contents. They should immediately destroy
the email and notify the sender at [illegible]. Recipients should run their own virus checks. [illegible]

On: 20 January 2022 00:28,
[redacted] wrote:

Exhibit 3B - Compliance of disbursement condition

5. Compliance with disbursement conditions:

Lead FI, [redacted] has issued LCN dated June 08, 2021 (Annexure A) requesting PFS for disbursement of Rs. 13.13 Crores. In its LCN, Lead FI [redacted] has confirmed that conditions precedent to disbursement stipulated in sections 14 and section 15 of the Facility Agreement, as applicable to such disbursement, have been satisfied.

Also, PFS has entered into undertaking cum bilateral agreement with the borrower dated March 04, 2021 placed as (Annexure G) as per which the following condition has been stipulated as pre disbursement condition -

S. No.	Pre Disbursement Condition	Status
1.	Clause 4 (b) Borrower shall infuse 100% of committed equity i.e. Rs. 134.84 Cr (Rs. One Hundred Thirty Four Crores and Eighty Four Lakh Only) in the project before borrower seeking any disbursement from PFS	Complied CA certificate dated June 03, 2021 placed as Annexure C

Borrower's Notice of Drawdown dated June 03, 2021 is placed at Annexure B. CA certificate dated June 03, 2021 is placed at Annexure C. LIE certificate for drawdown dated June 04, 2021 is placed at Annexure D.

Feedback from Monitoring unit via email dated June 10, 2021 is placed at Annexure F, mentioning that pending compliance issues with the project are as per LCN. Also, as per the latest LIE report of March 2021, 73.46% of progress was achieved in the project. The SCOD of the project has been 6th Jun 2021, however the project progress is impacted due to Covid lockdowns and labour migration in Rajasthan which is a badly affected state.

In view of the same borrower requested for six months' extension of the SCOD which was discussed in the consortium meeting dated 28th May 2021 and it was agreed that interim extension shall be given to the borrower till 26th Aug 2021 to support the project progress and again the reassessment of the Covid situation shall be done in July/ August 2021 for considering further extension due to Covid. The MOM is enclosed herewith for reference (placed as Annexure L). The entire stretch of 48.88 kms is available encumbrance free to the Concessionaire for construction of the carriageway.

Exhibit 3C- Minutes of Meeting

[redacted]
apna ka bank

June 3, 2021

For Circulation

[redacted] Address: 5th Floor, Block 2, Plate A & B, NBCC Tower, East Kidwai Nagar, New Delhi - 110123 Kind Attention: Ms. [redacted], Deputy General Manager (DGM)	[redacted] Address: A Wing/ 3rd Floor I-Think Techno Campus, Off Pokhran Road II, Thane (W) - 400 607 Kind Attention: [redacted], AVP
[redacted] Address: One World Centre, Tower 2B, 6th Floor, 841 Senapati Bapat Road, Lower Parel (W), Mumbai - 400013 Kind Attention: [redacted], Senior Vice President, Corporate Finance	PTC India Financial Services Limited Address: 7th Floor, Telephone Exchange Building, 8, Bhikaji Cama Place, New Delhi- 110066 Kind Attention: [redacted], Asst. Vice President
[redacted] Address: "Patel House", beside Prakruti Resort, 3, BP Estate, Chhani Road, Chhani, NH 8, Vadodara -391740 Kind Attention: Mr. [redacted] Director	

Dear All,

Please find attached the minutes of the Lenders' meeting (via conference call) for [redacted] the "Company") held on May 28, 2021.

Best Regards,

[redacted]
Senior Vice President
Commercial Banking

[redacted]

[redacted] held on May 28, 2021

[redacted]

Page 2 of 5

Dear All,

We thank you for your presence in the 13th Lenders' consortium meeting (via video conference call) held on May 28, 2021 amongst [redacted] Lenders and for the support extended to the Company and the Project. Please find enclosed the minutes of the said consortium meeting.

Attendance:

Representatives from [redacted] Group:
Mr. [redacted], CFO
Mr. [redacted], Chief Operating Officer
Mr. [redacted], General Manager (Finance)

Representative from [redacted]"/ "Lead Bank"/ "Lenders' Agent")
Mr. [redacted], Vice President, Corporate Finance
Mr. [redacted]ice President, Risk Management
Ms. [redacted] Dep. Vice President, Corporate Finance
Ms. [redacted] Senior Manager, Commercial Banking

Representative from [redacted] ("[redacted]")
Mr. [redacted], Head, Credit Monitoring
Mr. [redacted], AVP, Credit
Mr. [redacted] Senior Manager, Sales
Mr. [redacted] Senior Manager, Credit Monitoring

Representative from PTC Financial Services Limited ("PFS")
Mr. [redacted] Manager

Representative of [redacted] ("[redacted]")
Mr. [redacted] Manager

Welcome & Introduction:
Mr. [redacted] welcomed everyone for the 13th Consortium Meeting and requested the Company to update the lenders on the project progress and the impact of the Covid 2nd wave and the resultant lockdown.

Agenda 1: Project progress at site
Mr. [redacted], Chief Operating Officer, Patel group informed the Lenders that Rajasthan is one of the worst affected states due to the second wave of COVID 19. Project has suffered manpower (construction labour & machine operators) shortage issue due to the lockdown. Despite the same, he informed that they have managed to address the concerns of Lenders wrt river bridges which are now reaching completion by Jul 2021 and achieved good progress on RE Wall erection.

Page 3 of 5

Update on key structures:

1. Ahu bridge: 2 Cranes have reached site and ~70% of the balance girders have been launched. Girder launching is expected to be completed by May 31, 2021 post which balance 8 slabs will be cast. Structure would be ready by Jul 2021.
2. Kalisindh bridge: Only one slab is pending which is now planned to be cast on Jun 3, 2021.
3. ROB: Company has already submitted girder launching plan to railways. Launching expected to commence by Jun 15, 2021 post approval from Railways. Non-Railways section girders shall also be launched in Jun'21.
4. RUB: Relieving girder has reached site and company is planning for railway inspection to commence box pushing.

Agenda 2: Plan for completion of balance works

Mr.[redacted]k requested Mr.[redacted]o advise Lenders on company's plan for completion of balance work. Mr. [redacted]nformed lenders that while company has in the meeting dated April 12, 2021 submitted a revised plan for completion of project, the same has been impacted severely due to the lockdown in the state, reverse migration of labour, non-availability of industrial oxygen & spare parts for machinery & vehicles. Company is working towards achieving billing of ~25 Cr in June 2021. He informed the Lenders that they can submit a detailed revised plan for completion of balance works once the lockdown ends and situation normalises.

Mr. [redacted] TCCL enquired on the physical progress achieved and expected EOT due to second wave of COVID 19. Mr. [redacted] confirmed that the physical progress certified by IE is ~72% and they are expecting to achieve the 75% milestone by June 15, 2021. He further informed that company has intimated NHAI of continuing effects of pandemic under Force Majeure clause. However, the exact impact can be calculated and applied for only once lockdown ends and situation normalises. Company was requested by Lenders to update them on achieving 75% milestone.

Mr. [redacted], [redacted] enquired on the status of final EOT approval for 101 days (delay in handover of land and excessive rainfall in 2019). Mr[redacted] responded that RO has already recommended to [redacted]O on May 4, 2021 and [redacted] HO Committee approval is expected shortly - delayed due Covid lockdown.

Agenda 3: Discussion on extension of DCCO for the project

Mr.[redacted]nformed all Lenders that original DCCO of the project was shifted from Nov 19, 2020 to Jun 6, 2021 as agreed by the Lenders in Consortium Meeting dated Aug 5, 2020. Mr.[redacted]informed that Company has vide their letter dated May 25, 2021 requested for extension of upto 6 months as it is difficult to ascertain the exact completion date for the project due to the evolving situation of COVID 19. Company further informed that completion schedule can be finalized once the lockdown ends and situation normalizes. After discussion and deliberation, it was unanimously agreed by all the Lenders that company and Lenders (with the help of Lenders' Engineer) shall assess the revised completion date in due course once COVID situation normalizes and, in the interim, Lenders shall try to seek internal approvals for extension of DCCO till Aug 26, 2021, basis the additional 90 days Covid EOT received post last meeting in Aug'20 and in line with extension recommended by RO to HO, NHAI for 101 days.

As the current situation is fluid and uncertain, it was further agreed that Lenders and company shall reconvene in Jul/Aug 2021 to understand the situation at ground, agree on revised completion plan and revisit the decision for further extension required. Mr. [redacted], CFO, [redacted] requested the Lenders to continue disbursing the funds, while the extension of DCCO is being considered, so that project progress is not hampered. Lenders acknowledged the request and took a note of the same and agreed to support request so that project progress is not hampered and sought reciprocal support from the Company for completion of the project at the earliest.

<u>Agenda 4: Other discussions:</u>
Mr. [redacted] requested all the Lenders to align the interest rate with that of Lead Bank. He informed that while all other Lenders have done so, [redacted] is yet to do the same. Mr. [redacted], [redacted] confirmed that [redacted] shall also align the same with retrospective date.

<u>Vote of Thanks:</u> The meeting was concluded with a vote of thanks by [redacted] and the Company to all the members present. Lenders agreed to reconvene at the end of two months to discuss the further extension of DCCO required.

Exhibit 3D-[redacted]ATR to Board

PTC INDIA FINANCIAL SERVICES LTD.

NEW DELHI

MEMORANDUM FOR THE BOARD MEETING

AGENDA ITEM NO. 148.3

SUB : ACTION TAKEN REPORT ON THE DECISION OF THE BOARD TAKEN IN THE EARLIER BOARD MEETINGS

BM No.	Item No.	Particulars	Action Taken
137th BM dated 05.08.2021	137.2	**Action Taken Report** With respect to the Business Plan for PFS, the Board was informed that the Business Plan has been updated based on the Annual Audited Financials for FY 2020-21 and the same will be placed in the ensuing Business Committee thereafter to the Board for approval. The Board desired that the same may be finalized by 31st August 2021.The Board further desired that if required the revised budget may also be placed to the Board for its consideration.	The revised Business plan (FY 22-26) was submitted to Business Committee but could not be discussed due to devolvement of Business Committee. Also taking into consideration with development in preceding quarters, new business plan will be prepared incorporating the suggestion of Board and present market scenario, which has changed significantly.
	137.7	**To take note of Reserve Bank Circulars** The Board desired that in the Business Plan prepared by the management apart from assets side liability side should also be given equal weightage and plan for improvement of PFS's rating, optimum debt equity ratio and plan for capital raising should be covered in Business Plan.	Company approached external consultant [redacted]o prepare detailed business plan but the same was not finalized considering high fee quoted by them. Now company decided to prepare the business plan itself and updated business plan will be put up to Board post finalization by end of Q2 23
	137.11	**Briefing by the Chairperson of the Audit Committee about the proceeding of the Audit Committee on Un-audited Financial Results (standalone and consolidated) for the quarter ended 30th June, 2021.** The Board further highlighted that in comparison to previous three Q1 of the	

		respective financial years. there has been decline in the interest income, profit before tax (excluding provision and contingencies), book size and not much improvement in the profit & loss despite the resolution of stress assets took place in previous years. The Board was informed that interest income has come down due the reduction of the yield and book size. The Board was further informed that in the first quarter there has been prepayment higher than the disbursement made. Even the prepayments were received at the starting of the quarter while the disbursement were made in the second half of the quarter. Further primary reason was reduction in yield and the fact that prepayment happens in the first quarter. The Board desired that same may also be looked into by the Business Committee while reviewing the Business Plan.	
	146.1	**Action Taken Report** MD & CEO briefed the Board about the action taken on the earlier decisions of the Board. With respect to the Business Plan for PFS and related matters, the Board was informed that the Board has desired to prepare a Business Plan, however, initially due to the uncertainty related to the divestment of stake by PTC in PFS, the Business Plan for 5 years could not be prepared. He further informed that thereafter several times the Business Plan was proposed by the Company but the same could not be finalized. He further informed to the Board that taking into consideration with development in preceding quarters, new business plan will be prepared incorporating the suggestions of Board and present market scenario. The Board was further informed that other related aspects such as book size, yield, prepayment, profitability, provisioning, disbursement etc will be part of the updated business plan which will be put up to Board by 30th June, 2022.	

137th BM dated 05.08.2021	137.2	**Action Taken Report** The Board further desired that Audit Committee shall also look into the apparent weaknesses in internal controls, review the important SoPs and also the scope and coverage of Internal Audit. The action taken in this regard is not mentioned in the agenda. The Board desired that Audit Committee may also look into the same and status be presented to the Board.	Company has earlier appointed [redacted]uring the month of December 2021 for implementation of Risk based internal audit framework. At the time of such appointment, it was envisaged that said framework will be implemented at PFS by March 2022. Subsequent to the appointment of [redacted] PFS had followed up with [redacted]o initiate the kick off meeting regarding the formulation of RBIA Policy and its implementation at PFS before 31st March 2022, however, [redacted] did not pursue up the assignment.
	146.1	**Action Taken Report** 1. With regard to the implementation of the Risk Based Internal Audit Framework, MD & CEO informed the Board that RBI has issued a circular in 2021 for the implementation of the Risk-Based Internal Audit (RBIA) by 31st March, 2022. The Board was further informed that Company has earlier appointed [redacted] during the month of December 2021 for implementation of Risk based internal audit framework, however, [redacted]id not pursue up the assignment. Further, to ensure that RBIA framework is implemented on time, PFS appointed [redacted] for implementation of RBIA framework during the month of February 2022. The Board was further informed that PFS envisages to complete the finalization of the Risk Based Internal Audit Framework by 30th June 2022 and will submit to the Audit Committee and the Board for its consideration and approval. 2. MD& CEO informed the Board that as per the assignment, [redacted]ill prepare RBIA Framework for PFS based on the	To ensure that RBIA framework is implemented at PFS, PFS appointed [redacted] for implementation of Risk based internal audit framework during the month of February 2022. [redacted] has initiate the activities for implementation of Risk Based Internal Audit Framework. Under the scope of work, [redacted] has completed diagnostic review of existing process and policies of PFS related to internal controls and operational risk management [redacted] has also completed comprehensive discussion with on activities undertaken by each functions at PFS and assessment of inherent business risks associated with such activities. [redacted]has also completed the review of the existing control systems for monitoring the inherent risks associated with such activities. Subsequently, based on its review, [redacted]has submitted the draft report of gap assessment, which is currently under consideration.

		guidelines issued by the RBI and they are in very advance stage of finalisation and the same will be completed by 30th June, 2022. 3. MD & CEO informed to the Board that RBI is very strict in all such matters and response is only received in case some directives are issued by RBI. He further stated that PFS has already made substantial progress in this regard and same shall be completed by 30th June, 2022	Currently, [redacted] is reviewing the risk control matrix of each function of PFS and is developing Risk Audit Matrix based on the magnitude and Frequency of risk, as prescribed by RBI. PFS envisages to complete the finalization of the Risk Based Internal Audit Framework by 31st July 2022 and subsequently submit to Board for consideration and approval
137th BM dated 05.08.2021	Other Discussions	Sh [redacted], Independent Director desired that a presentation on PFS's rating model may be given to the Board. The Board desired that the management may plan for the same.	The matter was telephonically discussed with all three existing rating agencies of PFS in past and further official request has been again sent via email on 11th May 2022 for the presentation to be made to PFS Board for rating upgradation exercise wherein at that time response was awaited from all three rating agencies. Update as on 20.06.22 • CRISIL via email dated 25.05.22 has mentioned : the ideal time to do the credit presentation would be after the Watch is resolved • ICRA and CARE verbally updated that they will revert post clarity on ongoing matter
137th BM dated 05.08.2021	Other Discussions	S[redacted] Chairman, informed the Board that, PTC being the largest shareholder of PFS, had suggested that the respective MDs of the subsidiary companies of PTC make presentations with respect to their companies' business and operations to the PTC Board. He further informed the Board, that since PFS is a listed company, the presentation proposed to be made by MD, PFS to the PTC Board should be first cleared by PFS's Board. He further stated that the proposed presentation (to be made to PFS's & PTC's Boards) should also be cleared by the Compliance Officer, CRO and CFO of the Company. Further, caution should	Taking into consideration with development in preceding quarters, updated presentation will be prepared and same shall be presented to PFS and PTC Board by end of Q2 23

		be taken to ensure that there is no Unpublished Price Sensitive Information (UPSI) forward looking statement mentioned in the proposed presentation, as per applicable laws. Accordingly, PFS management team may take action so that the presentation is prepared at an early date and a meeting of the PFS Board is scheduled for the same.	
141st BM dated 12.10.2021	141.19	**Inquiry u 206 (4) of Companies Act, 2013 by Registrar of Companies (RoC)** The Board discussed the same and was of the view that inquiry has been initiated by RoC based on the complaint which are more than 3 years old and was of the views that MD &CEO may look into matter to ensure that required information may be submitted to the ROC and this enquiry may be completed at earliest. The Board was further of the view that PFS may engage M/s Corporate Professionals (PFS consultant on the corporate law matters) in this regard. The Board further desired that Board shall be keep informed for all the communications in this regard.	As per direction of the Board, PFS has submitted the reply to RoC on 22nd October, 2021 and no further communication in this regard has been received from RoC. The Board shall be keep informed of any further communication in this regard.
146th BM 16.05.2022	146.1	**Action Taken Report** 4. MD & CEO stated that all the action taken points, which are pending will be completed by 30th June 2022. He further informed that apart from the action taken points which are placed to the Board, there are also some other concurrent pending points and the same shall be placed to the Board. The Chairman stated that within one-month time list of all the items pending should be prepared and presented there. MD said some residual items will be there and a list of all such items will be prepared and proposed time	The following is list of action taken points and timeline for compliance as explained above in the ATR **Action Point** / **Proposed timeline** Business Plan / Q2 FY 23

<table>
<tr>
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<td>lines on action to be taken would be provided.

5. After details discussions, the Board noted the action taken report and desired that list of all the pending items shall be placed to the Board along with the expected timeliness for the completion of the same.</td>
<td>
<table>
<tr><td>Risk Based Internal Control System</td><td>s31st July 2022</td></tr>
<tr><td>Policy for exposure limit in Corporate debt</td><td>Placed to the Board of Director</td></tr>
<tr><td>Presentation of PFS performance to PFS and PTC Board</td><td>Q2 FY 23</td></tr>
<tr><td>Presentation of Rating Model to PFS Board</td><td>Q2 FY 23</td></tr>
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<tr>
<td>146th BM 16.05.2022</td>
<td>146.2</td>
<td>Status of the non-compliances and penalties levied by NSE and BSE

After detailed discussion, the Board discussed the status of the non-compliances as per details mentioned in the agenda note and decided that a note on non-compliance along with the penalties be placed to the Board. The Board also authorised the management with the authorisation as was proposed in the agenda.

The Board also authorised MD & CEO/ Compliance Officer or any other officer of the Company authorized by MD&CEO to take all such necessary actions as may be required and deemed necessary to make good the non-compliances and for further compliances in interest of the Company.</td>
<td>Status of the Non-compliances are attached herewith.</td>
</tr>
</table>

Status of Non- Compliance Status

PTC India Financial Services Limited

Sl. No.	Subject	Particulars	Penalty Involved	Remarks, if any
1	**Composition of the various committees of the Board**	As on the date following statutory committees of the PFS is dysfunctional 1. Stakeholder's Relationship Committee 2. Risk Management Committee 3. Corporate Social Responsibility Committee 4. IT Strategy Committee Also, the Nomination and Remuneration Committee as well as Audit Committee were dysfunctional till 5th April, 2022 and reconstituted on 6th April, 2022. Accordingly, there was a non- compliance in relation to composition of these committees from 1st April, 2022 till 5th April, 2022. ***Note: * In terms of Amended CSR provisions effective January 22, 2021 CSR Committee is not required to be constituted in case CSR obligation does not exceed Rs. 50,00,000/- in a financial year.***	Rs. 2,000 - per day for each committee apart from CSR Committee and IT Strategy Committee.	In this regard it is to be mentioned that the PFS has paid the penalties as per notice received from BSE and NSE w.r.t non-constitution of the N&R Committee, Stakeholder Relationship Committee and Risk Management Committee for the quarter ended March 31, 2022. Further, penalty has also been paid with respect to the delay in the submission of the

				financial results for the quarter ended 31st December, 2021. However, the same was paid upto the period 14th March, 2022 as PFS has not received the penalty notice for the period from 15th March, 2022 to 25th May, 2022
2	**Board Meeting**	In terms of the provisions of Section 173 of the Companies Act, 2013 read with rules mentioned thereto and regulation 17 (2) of the SEBI Listing Regulations, the board of directors shall meet at least four times a year, with a maximum time gap of one hundred and twenty days between any two meetings. In this regard it is to be mentioned that after the Board Meeting of PFS which was held on 09th November, 2021, the Board meeting was held on 6th April, 2022 i.e. after the gap of 120 days.	Rs. 10,000/- per instance	
3	**Audit Committee Meeting**	In terms of the provisions of Section 177 of the Companies Act, 2013 read with rules mentioned thereto and regulation 18 (2) of the SEBI Listing Regulations, the audit committee shall meet at least four times in a year and not more than one hundred and twenty days between two meetings. In this regard it is to be mentioned that after the Audit Committee which was held on 09th November, 2021, the Audit Committee meeting was held on 8th April, 2022 i.e. after the gap of 120 days.	No Such Penalty is prescribed. However, the Stock Exchange generally levy penalty of Rs. 10,000/- per instanace.	
4	**Risk Management Committee Meeting**	In terms of the provisions of regulation 21 of the SEBI Listing Regulations, the risk management committee shall meet at least twice in a year and the meetings of the risk management committee shall be conducted in such a manner that on a continuous basis not more than one hundred and eighty days shall elapse between any two consecutive meetings. The last meeting of the Risk Management Committee was held on 31st July, 20212021 i.e., after a gap of 180 days.		
5	**IT Strategy Committee Meeting**	In terms of the RBI circular the IT Strategy Committee should meet at an appropriate frequency but not more than six months should elapse between two meetings. The last meeting of the IT Strategy Committee was held on 07th July, 2021 i.e., after a gap of six months.	-	
6	**Declaration of the results for the year ended 31st March, 2022**	In terms of Regulation 33 and Regulation 52 and 54 of SEBI Listing Regulations, PFS is required to submit quarterly financial results within a period of 60 days from the end of the financial year i.e. upto May 30, 2022.	₹ 5,000 per day for Regulation 33 and ₹ 5,000 per day for Regulation 52 and 54	
7	**Filing of disclosure Related to Related Party Transactions**	In terms of Regulation 23 of SEBI Listing regulations, the Company shall submit to the stock exchanges disclosures of related party transactions in the format as specified by the Board from time to time, and publish the same on its website on half yearly basis within fifteen days from the date of publication of its standalone and consolidated financial results.	-	

		The above compliance shall become due when PFS will declare the financial results for the period ended March 31, 2022		
8	**Appointment of Secretarial Auditors for Financial Year 2021-22**	In terms of Regulation 24A of SEBI Listing regulations, the Company shall undertake secretarial audit and shall annex a secretarial audit report given by a company secretary in practice, with the annual report of the listed entity. The appointment of Secretarial Auditors for Financial Year 2021-22 is yet to be made by the Company and the same has to be made before approval of Board Report for the financial year ended March 31, 2022	-	

Note: The above non-compliances will lead to penal provisions both in terms of the SEBI Listing Regulations and Companies Act, 2013. It is further to be mentioned apart from the payment of penalty, the secretarial audit report, Annual return, Annual Secretarial Compliance report for the FY 21-22 will have qualification in this regard and the company will be required to apply for compounding of the same with the respective regulators.

PFS Index of Exhibits for [redacted] with all the relevant supporting:

Sr.No.	Particulars
1.	Exhibit 4A- Extract of the PFS Board Committee minutes 12 Mar 12
2.	Exhibit 4B - Extract of LCN
3.	Exhibit 4C - Extract of LCN issued by lead bank
4.	Exhibit 4D - Extract of PFS intimating RBI about the account as fraud
5.	Exhibit 4E - Extract of PFS Board min dated 29 Oct 2020
6.	Exhibit 4F - Email sent by [redacted]
7.	Exhibit 4G - Extract of Flight Tickets
8.	Exhibit 4H - Extract of the LCN issued by Lead bank
9.	Exhibit 4I - Extract of the disbursement made as per the facility agreement
10.	Exhibit 4J - Email com from [redacted] to other

Exhibits submitted by PFS in support of the response prepared for [redacted]

Exhibit 4A- Extract of the PFS Board Committee minutes 12 Mar 12

Item no 13.4 Proposal for Long Term Debt Financing of Rs. 50 crores to M/S[redacted] for 66 MW (1x66 MY) coal based thermal power project at Saraikela Kharsawan district, Jharkhand.

The Committee discussed the proposal for Long Term Debt Financing of Rs 50 crores to M/S [redacted] for 66 MW (1x66 MW) coal based thermal power project at Saraikela Kharsawan district, Jharkhand.

The Committee was apprised that [redacted] is implementing a 1X66 MW thermal power project at Jharkhand. M/S[redacted] is promoted by [redacted] group having business in India & Nepal. The fuel requirement for the proposed power plant will be met by Coal (F-grade), and Middling & Dolachar in 25: 75 ratio. The Midlings and Dolachar will be sourced from group company [redacted] As the majority of fuel would be sourced from Group company the variable cost of the project would be lower. It was informed that [redacted]. has entered into a PPA with M/S [redacted] located in Gujarat for long-term sale of 50MW of the power generated from the instant project at sale rate of Rs 4.15/ unit for first 2 year, Rs 4.25/ unit for 3rd & 4th year and Rs 4.35/unit for 5th to 7th year. The levelised cost of generation of project with ROE is Rs 4.19/ kwhr. The levelised sale rate of project based on the agreed PPA rate is Rs 4.36/kwhr for first 8 years (i.e till debt repayment period) and taking into account of merchant tariff for remaining year, the levelised sale rate of project for 25 year is Rs 4.03/kwhr. on a query regarding the commercial benefit for the Consumer in Gujarat which is far away from the Project, it was informed that the power will be sold to Consumer at designated Jharkhand substation and further open access charges and transmission charges will be borne by Consumer. Based on the above sale arrangement, the power sale rate for consumer at their premises works out to about Rs 5.30/ kwhr for first years ie- in 2013, which is much lower than the present Industrial tariff i.e. 2012 in Gujarat of Rs 5.75/ kwhr. As the industrial tariff would increase at higher rate every year, the consumer would be benefitted more in the subsequent year

After further discussion the Committee passed the following resolution: -

"RESOLVED THAT a Rupee Term Debt of upto Rs. 50 crores (Rupees Fifty Crores) to M/S [redacted] for setting up a 66 MW Coal based power project at Kuchidih Village, P.S. Chowka Distt. Saraikela Kharsawan, Jharkhand on the terms and conditions as mentioned in the agenda notes, be and is hereby approved.

FURTHER RESOLVED that CMD or his authorized representative is authorized, to approve and amend general terms and conditions including special conditions – pre-commitment/pre-disbursement and other conditions of debt sanction as may be necessary including any modification required in line with the spirit of Consortium financing with Lead FIS / Banks and to execute the loan agreements and other related agreements including security agreement and register the charge on assets with the Registrar of Companies and to take such other necessary actions including for assignment/agreement of assignment of assets of [redacted] to PFS' lenders or any other agreement in this regard".

Exhibit 4B - Extract of LCN

[redacted]

[illegible] INDIAL/[illegible] ADV 2012-13/[illegible] DATE 26.05.2012

The Assistant General Manager Corporation Bank Dharmatala Branch 8, Lenin Sarani Kolkata -700013	The Chief Manager Bank of India Kolkata Large Corporate Branch Kolkata - 700001
The Vice President PTC India Financial Services LTd 2nd floor, NBCC Tower 15, Bhikaji Cama Place New Delhi - 110066	[illegible] Power Pvt Ltd 10A, Everest House 46C, J L Nehru Road Kolkata - 700071

Dear Sir,

Re: Disbursement of Term Loan for setting up of 2X33 MW Coal Based Thermal Power Plant at Village [illegible], Seraikela Kharsawan, Jharkhand A/C [redacted]

We refer to above and based on company's request, we have so far disbursed through ESCROW account an amount of Rs 60.51 crores. Company has further requested to disburse Rs 3.50 crores in Escrow account to meet their project requirement.
Projected DER 2.33, Present DER including disbursement requested 1.19
Promoters contribution is Rs 33.81 crores as per CA certificate dated 30.04.2012
Eligible for disbursement as per project DER is Rs 125.05 crores.
Last LIE report submitted on 12.0[illegible].2012 and expected to submit next report in June-12.
Joint Documents executed on 22.0[illegible].2012 and enforceability certificate obtained from M/S [redacted]

As per mentioned terms and sharing pattern we request you to disburse the amount as mentioned below to the Escrow Account No [illegible] maintained with us.
Our RTGS code is BARB0INDIAL for remittance of Term Loan to ESCROW account.

(Lacs)

Name of Bank	Share %	LIMIT (Rs in lacs)	Amount of Disb Made so far (Rs in lacs)	Amount of Disb to be made (Rs in lacs)
Bank of Baroda	30.74	7500.00	3516.12	--
Bank of India	30.74	7500.00	872.50	--
Corporation Bank	18.03	4400.00	1662.58	--
PTC India Financial Services LTd	20.49	5000.00	--	350.00
Total	100.00	24400.00	6051.20	350.00

Yours faithfully,

[redacted]
Asst. Gen Manager

Exhibit 4C – Extract of LCN issued by lead bank

[redacted]

No. INDIAE ADV 2015-16 DATE 25.08.2015

The Assistant General Manager Corporation Bank Dharmatala Branch 2, Lenin Sarani Kolkata - 700013	The Chief Manager Bank of India Kolkata Large Corporate Branch Kolkata - 700001
The Vice President PTC India Financial Services Ltd 7th floor, Telephone Exchange Building 8, Bhikaji Cama Place New Delhi - 110066	Kohinoor Power Pvt Ltd 16A, Everest House 46C, J L Nehru Road Kolkata - 700071

Dear Sir,

Re: Disbursement of Term Loan for setting up of 2X30 MW Coal Based Thermal Power Plant at Village Kuchalli Kandra, Seraikela-Kharsawan, Jharkhand. A/C [redacted]

We refer to above and based on company's request an amount of Rs. 234.20 crores has been disbursed through ESCROW account. Company has further requested to disburse Rs 2.11 Crores in Escrow account for their project requirement.

Promoters contribution is Rs 182.10 Crores as per CA certificate dated 22.08.2015.
Projected DER 2.324 which was subsequently considered as 2.05 though promoter's equity will not improve but unsecured loan to be raised to the tune of Rs 13.47 crores which will not raised. The consortium members in the meeting dated 14.03.15 have agreed to accept DER as 2.324 for the purpose of disbursement towards IDC.

Actual DER including present disbursement requested 2.324.

Last LIE report submitted on 25.07.2015, which has already been circulated amongst the member banks.

As per sanctioned terms and sharing pattern we request you to disburse the amount as mentioned below to the Escrow Account No 01290200001347 maintained with us.

Our IFS code is BARB0INDIAE for remittance of Term Loan to ESCROW account.

(Rs in Lac)

Name of Bank	Share %	LIMIT	Disb. Made	Disb to be made	Total Disbursement to be made	Share of Disb (%)
Bank of Baroda	30.74	7500	7400.80	99.20	7500.00	31.74
Bank of India**	30.74	7500	6853.00	0.00	6853.00	29.00
Corporation Bank	18.03	4400	[illegible]	11.00	4400.58	18.62
PTC India Financial Services Ltd	20.40	5000	4776.96	100.00	4876.96	20.63
Total	100	24400	23420.34	210.2	23630.54	100

** The a/c is NPA with Bank of India.

Yours faithfully,

[redacted]

Deputy General Manager

Exhibit 4D – Extract of PFS intimating RBI about the account as fraud

September 08, 2020

The Chief General Manager- in charge
Department of Banking Supervision
Frauds Monitoring Cell, Central Office
Reserve Bank of India
10/3/8, Nrupathunga Road, P.B. No. 5467
Bengaluru 560001

Sub: Fraud Reporting in Borrowal Account [redacted]

Ref: DNBS. PPD.01/66.15.001/2016-17 Master Direction - Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016

Dear Sir,

We hereby report to you a prima facie fraud in respect of Term Loan Facility of Rs. 50 Crore sanctioned and disbursed by PTC India Financial Services Limited to [redacted] (Borrower) for development of 66 MW Thermal Power Project in Saraikela Kharsawan District, Jharkhand. The project was funded by a consortium lead by [redacted]. The account is undergoing resolution in NCLT, Hyderabad Bench under IBC 2016 wherein the application got admitted on 03rd August 2018. As no acceptable resolution received under the CIRP, order for liquidation was passed by NCLT vide order dated 4th October 2019. The brief particulars of the fraud are given below.

Amount Involved: Rs. 50 Cr
The company was sanctioned credit assistance by banks/FI lead by [redacted] aggregating to Rs. 244 Cr.
PFS Outstanding as on 15th August 2020
Principal 50 Cr.
Interest & other LD Charges 49.6 Cr

Nature of Fraud: Please refer FMR-1 attached herewith

Modus Operandi:

i. In the Joint Lenders Meeting (JLM) on 16th July 2020, one of the consortium member, [redacted] informed the forum that as per CRILIC report, the account has been declared as fraud by their bank and reported to RBI on 03.07.2020. BOI also informed that account was classified as fraud based on the Forensic Audit Report on the Company prepared by [redacted], dated 21.05.2019 under CIRP. However, the details of the same and a copy of FMR was proposed to be communicated to all member banks only after the FMR is finalized by higher authorities of the BOI.

ii. Subsequently BOI has shared the FMR-1 vide its email dated 28th May 2020 and subsequently vide email dated 4th September 2020, BOI informed that the account was declared as fraud based on the following findings –

a) As per Forensic Audit Report, Company has spent Rs 387.27 Cr on project and done Impairment of Rs 255.9 Cr leading to total asset of Rs 131.37 Cr. Total funds utilized by company was Rs 382.97 Cr. Further as stated in the Forensic Audit Report, as per valuation report dated 14.07.2017 done by Prahal Kumar Ray, the valuation of Building, structure & civil work was calculated at Rs 33.68 Cr and Plant and Machinery at Rs 94.18 Cr i.e. total Rs 127.86 Cr

PTC India Financial Services Ltd. (CIN: L65999DL2006PLC153373)
(A subsidiary of PTC India Limited)
Registered Office: 7th Floor, Telephone Exchange Building, 8 Bhikaji Cama Place, New Delhi - 110066, India
Board: +91 11 26737300 Fax: +91 11 [illegible] Website: www.ptcfinancial.com, E-mail: [illegible]

Exhibit 4E - Extract of PFS Board min dated 29 Oct 2020

2036. Item no. 129.15 [redacted] - 66 MW Thermal Power Project in Saraikela Kharsawan District, Jharkhand – Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016. –Note on Fraud Committed by the Company – Reg.

The agenda note on fraud committed by M/s. [redacted] was explained to the Board as per details mentioned in the agenda note. The Board was informed that PFS has reported the account as Fraud with RBI vide FMR-1 dated 8th September 2020. PFS, vide its letter dated 17th September 2020, has conveyed its consent in favour of [redacted] (Lead Bank) for the purpose of filing joint complaint (on behalf of PFS) with police CBI. It was further informed to the Board that subsequently, Lead Bank (BoB), vide email dated 19th September 2020 informed that the fraud declaration of the captioned company is still under process in their Bank and they will update PFS, once the needful is done at their end.

The Board was further informed that liquidator vide email dated 22nd September shared a letter (dated 22nd Sep 2020) received by him from Serious Fraud Investigation Office (SFIO), Hyderabad. As per the letter, the Central Government (Ministry of Corporate Affairs) in exercise of powers vested u/s 212 (1) (c) of the Companies Act, 2013, vide its Order No. 03/541/2019 CL II dated 03.06.2020, ordered SFIO to investigate into the affairs of M/s [redacted] and accordingly SFIO requested Liquidator to arrange certain documents as detailed in its letter.

Exhibit 4F - Email sent by Bimal

From:	[redacted]
Sent:	18 July 2014 15:32
To:	[redacted]
Cc:	[redacted]
Subject:	RE: Site Visit 1*66 MW Dolachar, Middling and Coal based Power Project in, Saraikela Jharkhand

Dear [redacted] Sir,
As discussed we have postponed the site visit of the project to 21st July 2014.
We will arrive on Ranchi airport 9:50 AM on 21st July 2014 and will return on 22nd July 2014 (10.15 AM from Ranchi airport).
We request you for make the local travel arrangement and night stay arrangement for undersigned in Jamshedpur on 22nd July 2014.

We also request you to provide the name and contact no of visit coordinator.

Thanks & Regards,
[redacted] Jr Manager | PTC India Financial Services Ltd. (ptcfinancial.com)

Exhibit 4G - Extract of Flight Tickets

IndiGo Call 0 99 10 38 38 38 or +91 124 6613838

INTERGLOBE AVIATION LTD (INDIGO), Global Business Park, Gurgaon, Haryana, India

Booking Reference	Status	Date Of Booking	Payment Status
VCMSSK	Confirmed	16 Jul 14	Complete

IndiGo Passenger(s)

1. M[redacted]

IndiGo Flight(s)

Date	Dep Time	From	To	Flight	Dep Terminal	Arr Time
21 Jul 14	8:45 AM	Delhi	Ranchi	6E 434	1	9:50 AM
22 Jul 14	10:25 AM	Ranchi	Delhi	6E 434		12:25 PM

Price Summary

Airfare Charges	16,002.00 INR
2 Veg Meal & Non Alc Drink	400.00 INR
Development Fee	113.00 INR
Passenger Service Fee	379.00 INR
User Development fee	551.00 INR
Government Service Tax	691.00 INR
Arrival User Development Fee	466.00 INR
Total Price	20,892.00 INR

Contact Information

HERMES

Passenger Mobile Number: [illegible]

archana@sharpmail.in

IndiGo Call 0 92 10 33 38 38 or +91 124 6613838

INTERGLOBE AVIATION LTD (INDIGO), Global Business Park, Gurgaon, Haryana, India

Booking Reference	Status	Date Of Booking	Payment Status
BESDTR	Confirmed	16 Jul 14	Complete

IndiGo Passenger(s)

1. Mr[redacted]

IndiGo Flight(s)

Date	Dep Time	From	To	Flight	Dep Terminal	Arr Time
20 Jul 14	4:20 PM	Delhi	Ranchi	6E 493	1	6:10 PM
22 Jul 14	10:25 AM	Ranchi	Delhi	6E 494		12:20 PM

Price Summary

Airfare Charges	18,002.00 INR
2 Veg Meal & Non Alc Drink	400.00 INR
Development Fee	113.00 INR
Passenger Service Fee	379.00 INR
User Development fee	551.00 INR
Government Service Tax	691.00 INR
Arrival User Development Fee	406.00 INR
Total Price	20,892.00 INR

Contact Information

HERMES

Passenger Mobile Number: [illegible]

archana@sharpmail.in

Exhibit 4H – Extract of the LCN issued by Lead bank

बैंक ऑफ़ बड़ौदा Bank of Baroda

Corporation Bank [illegible] Kolkata	Bank of India [illegible] Kolkata
PTC India Financial Services Ltd [illegible] New Delhi	[illegible] Kolkata

Re: [illegible] Village [illegible] A/C [redacted]

[illegible]

Name of Bank	Share %	[illegible]	[illegible]	[illegible]	[illegible]	Share of [illegible]
Bank of Baroda	[illegible]	[illegible]	[illegible]			[illegible]
Bank of India	[illegible]	[illegible]	[illegible]			[illegible]
Corporation Bank	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]
PTC India Financial Services Ltd	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]
Total	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]

Yours faithfully

[redacted]
Deputy General Manager

Exhibit 4I – Extract of the disbursement made as per the facility agreement

बैंक ऑफ़ बड़ौदा Bank of Baroda

[illegible]

The Assistant General Manager Corporation Bank [illegible] Branch [illegible] Kolkata - [illegible]	The Chief Manager Bank of India Kolkata Large Corporate Branch Kolkata - [illegible]
The Vice President PTC India Financial Services Ltd [illegible] [illegible] New Delhi - [illegible]	[illegible] Power Pvt Ltd 16A, [illegible] House [illegible] Road Kolkata - [illegible]

Dear Sir

Re: [illegible] Thermal Power Plant [illegible] A/C [illegible]

[illegible]

[illegible]

Name of Bank	Share %	[illegible]	Disb [illegible]	[illegible]	Disb [illegible] made	Share of [illegible]
Bank of Baroda	[illegible]	[illegible]	[illegible]			[illegible]
Bank of India	[illegible]	[illegible]	[illegible]			[illegible]
Corporation Bank	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]
PTC India Financial Services Ltd	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]
Total	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]

Yours faithfully,

[redacted]

Deputy General Manager

Exhibit 4J - Email com from [redacted] to other

[redacted]

From:	[redacted]hotmail.com>
Sent:	12 July 2014 17:03
To:	LCB Kolkata BOI; Kolkatta-Dharmtolla Branch (CorpBank-0152); [redacted] PFS: [redacted] ptcfinancial.com
Cc:	[redacted]
Subject:	Consortium Meeting of Kohinoor Power
Attachments:	Notice of Consortium Meeting [redacted] 150714.pdf
Importance:	High

Dear Sir,

Consortium meeting of [redacted] to be convened on 15.07.14 at the conference room of [redacted] at 11, Allenby Road, Kolkata at 2:30 PM. Copy of the notice issued by Bank of Baroda is attached herewith.

Please make it convenient to attend the same in time.

Thanks
[redacted]
Mobile#98310 90231

[redacted]

Subject:	FW: Consortium Meeting of Kohinoor Power
Attachments:	Notice of Consortium Meeting_KPPL_150714.pdf
Importance:	High

Thanks & Regards,
[redacted] Manager | PTC India Financial Services Ltd. ptcfinancial.com|
7th Floor, NBCC Building, 8 Bhikaiji Cama Place | New Delhi 110066 | India
Ph (M) [illegible] (D) 011 [illegible] (F) 011 [illegible] | Email: [illegible]@ptcfinancial.com
[illegible]

From: [redacted]
Sent: 12 July 2014 17:08
To: LCB Kolkata BOI <lcb.kolkata@bankofindia.co.in>; Kolkatta-Dharmtolla Branch (CorpBank 0152)
<cb0152@corpbank.co.in>; [redacted]
Cc: [redacted]
Subject: Consortium Meeting of Kohinoor Power
Importance: High

Dear Sir,

Consortium meeting of [redacted] is to be convened on 15.07.14 at the conference room of [redacted] at 11, Allenby Road, Kolkata at 2:30 PM. Copy of the notice issued by Bank of Baroda is attached herewith.

Please make it convenient to attend the same in time.

Thanks
[redacted]
Mobile#98310-90231

PFS Index of Exhibits for [redacted] Limited with all the relevant supporting:

Sr.No.	Particulars
1.	Exhibit 5A - Internal note
2.	Exhibit 5B - Screenshot of Disbursement note dated 31 Dec 2019
3.	Exhibit 5C - Request letter for extension by [redacted]
4.	Exhibit 5D - Extract of Approval of MD CEO for granting extension

Exhibits submitted by PFS in support of the response prepared for [redacted]

Exhibit 5A - Internal note

PTC India Financial Services Limited

Dated [illegible]

Sub: Overdue in [redacted]

PFS has sanctioned a Term Loan of Rs [illegible] Crore to [redacted] towards development of [illegible] MW Wind Power Project in the state of Andhra Pradesh. Current outstanding is Rs [illegible] Crore and amount overdue is around Rs [illegible] Crore pertaining to [illegible] days as on Dec [illegible]

Recently Govt. of AP vide order dated [illegible] 2019 has constituted high level negotiation committee for re-negotiating the existing PPAs citing high tariff & the [redacted] also received letter from [redacted] to reduce tariff to Rs [illegible] for all the existing operational wind power projects in Andhra Pradesh. Further, as per the recent updates from APSPDCL and IREDA, Banks / FIs such as SBI, PFC, IREDA etc. are in process of sanctioning loans to APSPDCL whereas release of said funds would be for clearing RE Plant dues. It is expected that funding from Banks/FIs to APSPDCL would be done by Q[illegible] FY 2019-20. The borrower has meanwhile received Rs [illegible] Crore from APSPDCL during Dec 2019.

While the matter is still pending for resolution and the borrower is yet to receive its entire dues from AP DISCOM, the borrower via its letter dated [illegible] 2019 (Annexure A) has requested PFS for disbursement of Rs [illegible] Crore which shall be utilized towards DSRA creation and working capital margin requirements.

A meeting was called to discuss the way forward in this matter. Officials from PFS Disbursement unit and PFS Monitoring unit were present in the meeting. The matter was discussed and in view of interest of the project and considering that the current issues are mainly due to the delay in payment from the off taker and [illegible] payment from APSPDCL, the account shall become regular, it was decided that the instant request of the borrower can be considered.

Exhibit 5B - Screenshot of Disbursement note dated 31 Dec 2019

Minister Reddy, raising concerns over the state's move to reopen legal contracts.

iii. The Hon'ble High Court vide its order dated September 24, 2019 quashed the July 1, 2019 AP Government order as well as the July 12, 2019 letters issued by the state power distribution company. The court had dismissed the case asking the parties to raise their objections before the Andhra Pradesh Electricity Regulatory Commission (APERC). A timeline of six months was set to resolve the issues. The high court has also directed Andhra Discoms to pay immediately tariff at Rs.2.44 per unit to RE plants till the disposal of the matter by APERC. It has also directed the state to avoid curtailing generation from RE plants without issuing any prior notice.

iv. As per the recent updates from APSPDCL, Banks / FIs such as [redacted], etc. are in process of sanctioning loans to APSPDCL wherein end use of said funds would be for clearing RE Plant dues. It is expected that funding from Banks/FIs to APSPDCL would be done by Q4 FY 2019-20.

v. PFS has earlier invoked DSRA in the captioned loan account for clearing PFS dues. Owing to the delayed payment from APSPDCL (receivable cycle at 13 months as on date) borrower loan is under overdue of Rs.8.86 crores pertaining to 97 days as per overdue list dated December 06, 2019 shared by accounts team.

vi. Tariff approval for 2.3 MW WTG (2.3 MW out of total 25.30 MW) from APERC (State Regulatory Commission) is still awaited.

vii. Further, it is to be noted that recently APDISCOM has started releasing funds to the power producers in line with Hon'ble High Court Order dated September 2019 and DWPPL has also received first tranche of Rs.1.60 crores for both the loan accounts in December 2019. Further it has been given to understand that APDISCOM in under process of arranging finance as mentioned above and shall further release funds to all power producers shortly.

Exhibit 5C - Request letter for extension by [redacted]

Date: 26th November 2019

To,
M/s PTC India Financial Services Ltd.,
7th Floor, Telephone Exchange Building,
8 Bhikaji Cama Place,
New Delhi - 110 066

Dear Sir,

Sub: Request for extension in the Loan Availability Period for 25.30 MW Wind Power Project up to 31st March, 2020 and disbursement request for balance of Rs. 9.09 Cr

With respect to 25.3 MW Wind Power Project (Loan Account No. [illegible]) [redacted] we would like to request you to kindly extend the Loan Availability Period up to 31st March 2020. In this regard, we would like to inform you the following:

The project consists of 11 WTGs of capacity 2.3 MW totaling to a project capacity of 25.3 MW. The project was commissioned in a phased manner: 18.40 MW was commissioned on 03.06.2017, 4.60 MW was commissioned on 23.02.2018 and the last turbine of 2.30 MW achieved commissioning on 20.03.2018.

The project was initially sanctioned an amount of Rs. 169 Cr by PFS on 08th December 2016. We understand that the last tranche comprising of Rs.9.09 Cr towards working capital margin of Rs.3.67 Cr and DSRA creation of Rs 5.41 Cr could not be released due to non-availability of PPA for 2.3 MW capacity pertaining to the last turbine. The undisbursed portion of Rs. 9.09 Cr pertains to Working Capital margin of Rs. 3.68 Cr and DSRA creation of Rs. 5.41 Cr.

DSRA amount has been retained for signed PPA from APSPDCL along with APERC approval. Though the PPA is signed but the tariff adoption approval of the same from APERC is under process. Now that we have submitted PPA copy signed for the last turbine on 17th July 2017 to your good office, kindly release the DSRA amount. Also, we would like to request you to kindly release Working Capital margin amount as we are facing tight liquidity issues and we are in working capital shortage position.

We would like to once again request you to kindly extend the loan availability period for the project up to 31st March, 2020 and consider our request for release of Working Capital margin and DSRA creation totaling to Rs. 9.09 Cr.

For [redacted]

Exhibit 5D - Extract of Approval of MD CEO for granting extension

MD & CEO

PFS Index of Exhibits for [redacted] with all the relevant supporting:

Sr.No.	Particulars
1.	Exhibit 6A - Extract of Drawdown Certificate
2.	Exhibit 6B - Disbursement advice 28 Feb 2019
3.	Exhibit 6C - PFS had received the End-use certificate
4.	Exhibit 6D - Approval note from Monitoring unit for INR 162 Cr
5.	Exhibit 6E - Details on the justifications proposed to CMD prior to his approval
6.	Exhibit 6F - Extract of CA certificate

Exhibits submitted by PFS in support of the response prepared for [redacted]

Exhibit 6A - Extract of Drawdown Certificate

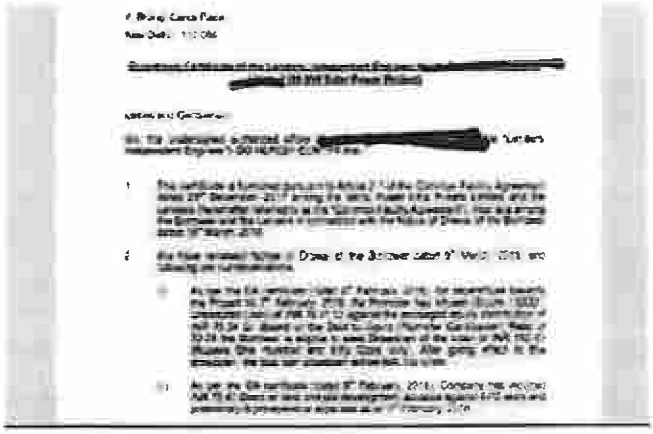

Exhibit 6B - Disbursement advice 28 Feb 2019

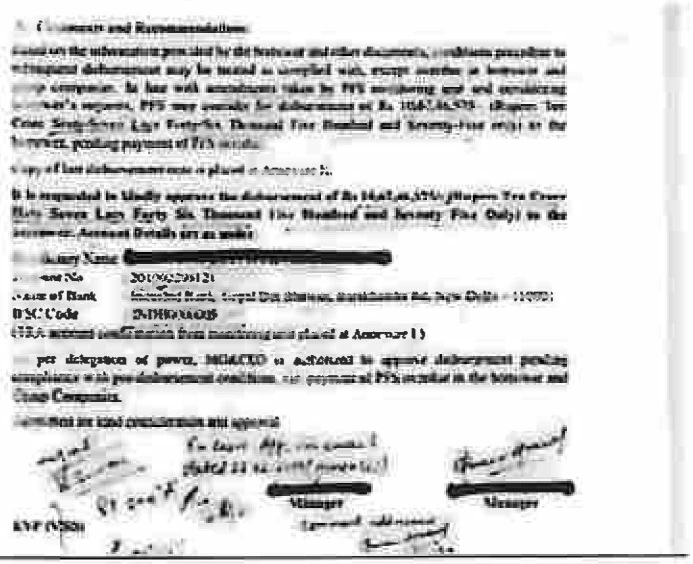

Exhibit 6C - PFS had received the End-use certificate

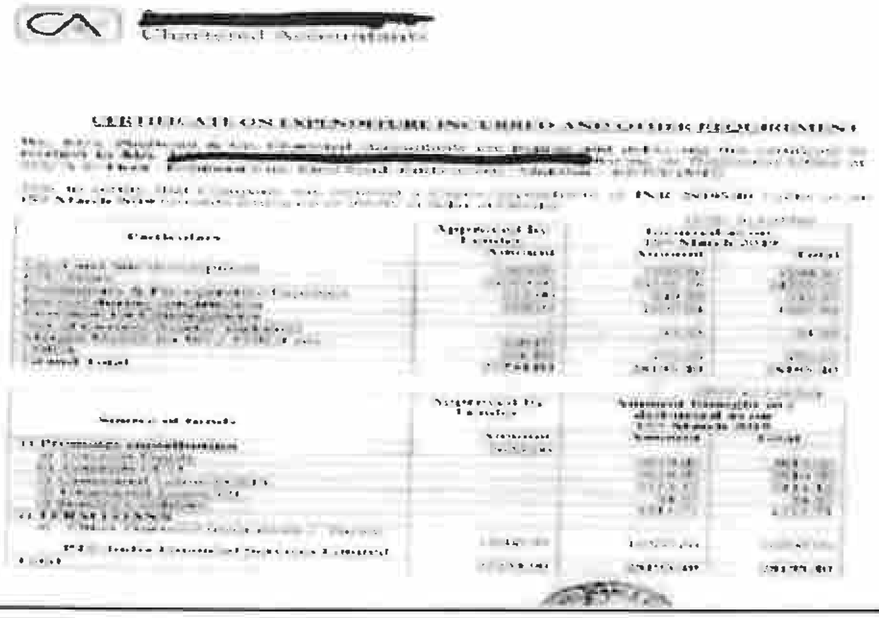

Exhibit 6D - Approval note from Monitoring unit for INR 162 Cr

Comments:

PFS has already extended SCOD of the project to 20th Dec 2018 (earlier 30th June 2018) on the basis of MoM dt 20th Dec 2018 issued by SECI. Further PFS officials visited SECI's Office to seek clarification on issuance of commissioning certificate and consequently to assess its likely impact on applicability of tariff due to delay in achievement of COD. Based on the discussion with SECI, PFS has assessed the sustainable debt of Rs. 162 crs at min. DSCR of 1 assuming tariff of Rs. 3.54/unit. (MoM issued by SECI attached as Annexure – A and copy of scanned approved note on SCOD extension is attached as Annexure – B)

PFS subsequently visited the project site of [redacted] in April 2019 and it was observed that only 50% modules have been installed at site. PFS on continuous basis followed up with the borrower to complete the balance work.

Proposal:

Based on the above mentioned facts, in the interest of the project, PFS may cap the sanction limit to currently disbursed amount to Rs. 162 crs.

As per the operational policy of PFS, MD & CEO or Whole Time Director(s) is jointly authorized to approve the above proposal.

The note is being submitted for consideration and approval.

[redacted]
17/6/19
Manager

12/6/19
AVP (RM)

Director (NK) 18.6.2019

MD & CEO

Exhibit 6E - Details on the justifications proposed to CMD prior to his approval

Further, Borrower also requested PFS for extension of timelines for mortgage of immovable properties & assignment of project documents on account of delay in mutation activities. [Request letter attached as Annexure – E]
The land used in project is private land. Land ceiling limit under odhisa land reform act-1960 and Right to fair compensation and Transparency in land acquisition in Orissa and other regulatory issues has unexpectedly sluggish the land acquisition process which has delayed the commissioning of the project and security creation process.
Currently, Mutation has been done for 130 acres out of 183 acres & balance mutation of 53 acres expected to be done by Mar 31, 2019. Security perfection and Mortgage is expected to be complete in next two months. Hence, PFS may grant extension to create mortgage of immovable properties and assignment of project documents till 31[st] May 2019.

Proposal: Considering above, following proposals may be considered subject to approval of competent authority:

- SCOD extension to 20[th] Dec 2018 along with consequential shift in Repayment Schedule and other security compliances linked to SCOD.
- Min. DSCR may be kept at 1 in FY19-20 till further clarification in tariff from SECI.
- 1[st] Qtr. DSRA may be created, being part of the project cost
- Timelines to create Mortgage of immovable properties & assignment of project documents may be extended till 31[st] May 2019.

Exhibit 6F - Extract of CA certificate

[redacted]
Chartered Accountants

Extract of ICAI UDIN

PFS Index of Exhibits for [redacted] with all the relevant supporting:

Sr.No.	Particulars
1.	Exhibit 7A - Board Meeting Dated 11 Feb 2014
2.	Exhibit 7B - Extract of IDC Breakup
3.	Exhibit 7C - Extract of LCN dated 30 July 2016

Exhibits submitted by PFS in support of the response prepared for [redacted]

Exhibit 7A - Board Meeting Dated 11 Feb 2014

Item no. 48.16. Proposal for long term debt finance of Rs. 250 Crores to M/s [redacted]

The proposal for long term debt financing of Rs. 250 crores to M/s [redacted] for setting up of 144 MW Hydro Power Project at West Kameng District, Arunachal Pradesh was explained to the Board with a presentation as per details mentioned in the agenda note.

It was informed to the Board that the project is being implemented by [redacted] Group's flagship company [redacted] through its step down subsidiary, and in association with Govt. of Arunachal Pradesh. The turn-key EPC contractor is [redacted] and cost of the project is Rs. 1344 crore which is being funded in debt: equity ratio of 67:33. It was also informed to the Board that the net saleable power from the plant will be sold as mix of long term PPA (50% of net saleable power) and balance as merchant power. The Board was informed that Techno Economic Clearance is in advance stage of approval by CEA, final forest clearance is in place, environment clearance has been recommended for the project and the power plant is likely to be commissioned in April, 2017. After discussion, the Board approved the proposal and passed the following resolution:-

"Resolved that a Rupee Term Debt of Rs. 250 crores (Rupees Two Hundred and Fifty Crores) along with issuance of 'Letter of Comfort' (LoC) for 'Letter of Credit' (LC) opened/to be opened by a bank for supply of equipment of upto Rs. 200 Crores (80% of the proposed sanctioned amount) to M/s [redacted] DFPL) for setting up of 144 (2x72) MW Hydro-Electric Project (HEP) at Gongri River in West Kameng district, Arunachal Pradesh on the terms and conditions as mentioned in the agenda note, be and is hereby approved.

Further resolved that CMD or his authorized representative is authorized to approve and amend general terms and conditions including special conditions pre commitment/pre-disbursement and other conditions of debt sanction as may be necessary and to execute the loan agreements and other related agreements including security agreement and register the charge on assets with the Registrar of Companies and to take such other necessary actions including for assignment agreement of assignment of assets [redacted] to PFS's lenders or any other agreement in this regard."

Exhibit 7B - Extract of IDC Breakup

9. Project Cost Estimates

The cost of the 144 MW hydro project is estimated at Rs. 1344 crores i.e. Rs. 9.33 crores per MW. The cost estimates are based on the turnkey EPC contract executed with [redacted] However the project cost estimate is subject to clearance from CEA and suitable condition in this regard has been stipulated.

The cost break-up of the project is given below

S. No.	Description		Cost	% of Total Cost
1	Land and site development		5.60	0.42%
2	EPC Contract	Civil Works	715.00	53.20%
		Hydro Mechanical Works	85.20	6.34%
		Electro Mechanical Works	189.40	14.09%
3	Preliminary & Pre-operative Exp		75.00	5.58%
4	Contingency		53.20	3.96%
5	Interest During Construction		216.70	16.12%
6	Margin Money		4.84	0.36%
	Total Capital Cost		1344.00	100.00%

A broad comparison of capital cost with the cost of a few other hydro-electricity plants under execution is given below:

Name of the Project	State	Capacity (MW)	Rs. Cr/ MW	Price Level
Tawang-I, NHPC	Arunachal Pradesh	600	8.04	2010
Tawang-II, NHPC	Arunachal Pradesh	800	7.64	2010
West Kameng Nafra HEP, SEW	Arunachal Pradesh	120	7.07	2011
Nyamjang Chu, Bhilwara Energy	Arunachal Pradesh	780	8.17	2011
Gongri HEP, Patel Engg. Ltd (*)	Arunachal Pradesh	144	9.33	2012

(*)- Instant Project

As can be seen from the above table, the estimated capital cost of instant project is slightly higher than few of the projects. One of the reason is the price level as the cost of the instant project has been worked out at 2012 level. Further, it may be mentioned that the capital cost of a hydro-electric project depends on various parameters viz. type of the project, the geological conditions of the soil & rock, dam reservoir to be built, structures like HRT,TRC for running the plant, etc. Thus, the cost/MW of hydro power plants differs from project to project.

Exhibit 7C - Extract of LCN dated 30 July 2016

Lead bank, [redacted] has issued LCN dated July 30, 2016 (Annexure A) requesting PFS for disbursement of Rs 2.05 Crore. Borrower's request for drawdown is placed at Annexure B. As per the LCN, there are certain conditions which are yet to be complied with viz. extension of COD, execution of PPA etc. These are under consideration with lead bank for relaxation. CA certificate is placed at Annexure C. End use certificate for previous drawdown is placed at Annexure D. LE certificate of drawdown is placed at Annexure E.

As per Clause 2.8 of the Underwriting and Facility Agreement, "*The Lenders may, after issuing advance notice to the Borrower, deduct from sums to be lent to the Borrower the amount of any Obligations then remaining due and payable by the Borrower to the Lenders. The sums so deducted or adjusted shall be deemed to be Disbursements made by the Lenders notwithstanding anything contained in Clause 2.7*".

In line with above clause, PFS may adjust its overdue till Oct 01, 2016 (Rs 2,13,41,615/-) from the instant disbursement pending compliance of pre-disbursement conditions; viz. extension of COD, execution of PPA etc. Feedback from monitoring is placed at Annexure F, mentioning that no internal approval was taken by PFS against the CPs mentioned in the previous LCN, as Lead FI is yet to amend some critical issues specified in the said LCN. Pending compliance as per lead bank LCN are as under:

a. Execution of balance project contracts viz. work contract for construction of transmission line.
b. Extension of COD.
c. Obtaining RoW for transmission line
d. Execution of PPA for atleast 50% power

PFS Index of Exhibits for [redacted] with all the relevant supporting:

Sr.No.	Particulars
1.	Exhibit 8A- Meeting dated 01 March 2011
2.	Exhibit 8B - Board minutes for Costover run
3.	Exhibit 8C - Board minutes for MD CEO powers
4.	Exhibit 8D - Internal note
5.	Exhibit 8E - Extract of Delegation of Power
6.	Exhibit 8F- Extract of Quarterly Information to Board
7.	Exhibit 8G - PFS's share towards the cost overrun
8.	Exhibit 8H - Lead bank email dated Oct 2016
9.	Exhibit 8I- Extract of loan agreement
10.	Exhibit 8J - Extract of the undertakings

Exhibits submitted by PFS in support of the response prepared fo[redacted]

Exhibit 8A- Meeting dated 01 March 2011

From: [redacted]
Sent: 04 October 2022 6:18 PM
To: [redacted]
Cc: [redacted]
Subject: Extracts of minutes of BM held on 1st March, 2011

Extracts of minutes of BM held on 1st March, 2011

Item no. 35.7. Long Term Debt Financing upto Rs. 200 Crores to M/s [redacted] for Thermal Power Project (2x600 MW) at Singhitarai, Chhattisgarh

A presentation was made to the Board on the proposal for Long Term Debt Financing upto Rs. 200 Crores to M/s [redacted]. for setting up a Thermal Power Project (2x600 MW) at Singhitarai in Jangir- Champa district, Chhattisgarh. It was also informed to the Board that PFS has earlier disbursed a short term loan of Rs. 90 crores to the project, which has been paid back by the company.

After discussions, the Board approved and passed the following resolution:

"Resolved that Rupee Term Debt of upto Rs 200 crores (Rupees Two Hundred Crores) to M/s[redacted] for meeting part expenditure of the proposed implementation of [redacted]1200 MW) in Jangir- Champa district, Chhattisgarh on the terms and conditions as mentioned in the agenda notes, be and is hereby approved.

Further resolved that CMD or his authorized representative is authorized, to approve and amend general terms and conditions including special conditions – pre commitment/pre disbursement and other conditions of debt sanction as may be necessary including any modifications required in line with the spirit of consortium financing with Lead FIs / Banks and to execute the loan agreements and other related agreements including security agreement and register the charge on assets with the Registrar of Companies and to take such other necessary actions including for assignment/agreement of assignment of assets of [redacted] to PFS' lenders or any other agreement in this regard.

Further resolved that disbursement and the loan shall be subject to applicable RBI regulations at the relevant time.

Best Regards,
[redacted] Assistant Company Secretary | PTC India Financial Services Ltd

Item no. 76.8 proposal for sanction of term debt of Rs. 51 crores to [redacted]

The proposal for sanction of term debt of Rs. 51 crores to [redacted] to meet cost overrun for 1200 MW coal based thermal power project in Janjgir-Champa District, Chhattisgarh, was explained to the Board as per details mentioned in the agenda note.

The Board was informed that [redacted] is implementing 2 x 600 MW Coal Fired Thermal Power Project at Singhitarai village, Janjgir Champa district, Chhattisgarh, India. The Project is being developed in pursuant to a MoU signed between ACPL and Government of Chhattisgarh for setting up 1200 MW Thermal Plant. PFS has sanctioned a term debt of Rs. 200 crores and as on date disbursed about Rs.194 crores. Presently there is no overdue in account, however, Company is irregular in paying PFS dues since March 2015. Presently account is under SMA2 by other lenders.

It was informed to the Board that in the 1st cost over run there has been increase of Rs 2,244 crores in the project cost and estimated revised project cost is Rs. 8,444 crores. Revised cost is proposed to be funded in ratio of 75:25 with total debt of Rs. 2,111 crores and equity of Rs. 6,333 crores. Out of total Debt requirement of Rs.1,682 crores for the cost overrun part, Lead FI, and other lenders has sanctioned total Rs 1,413.32 crores (84%) and loan document has been executed. The Borrower has requested PFS to sanction Rs. 72.34 crores as proportionate share of PFS to fund the cost overrun of the project. Out of total cost overrun debt of Rs. 1682 crores, Company has received sanction of Rs. 1609 crores and in the consortium.

The project was initially expected to achieve COD by July 2014. However, 1st Cost Overrun was sanctioned and loan agreement for cost over run is executed in March 2015 anticipating the Project "Date of Commencement of Commercial Operations (DCCO)" as January 2016. However, due to liquidity issues in Promoter company there could be further delay, accordingly, for financial analysis, DCCO of the Project is assumed as April 2017.

As per RBI circular for funding cost over run, lenders may fund upto 10% of original cost plus IDC, it is understood from SBI that funding of cost over run in excess may require provisioning of 5% of the loan amount. Therefore keeping in view the above and in order not to attract 5% provisioning, which works out to Rs 51 crores, though other lenders may continue with funding in excess of 10% original cost plus IDC. In that situation PFS exposure shall be Rs 251 crores and out of Rs 51 crores for cost over run, Rs 24.52 crores would be towards IDC of PFS portion.

The Board enquired about the balance gap funding of Rs. 21.34 crores in the consortium due to shortfall in sanction by PFS. The Board was informed that SBI officials has been informed about PFS view in one of the meeting while expressing its view on issues in the project. The gap could be taken by other lender or the promoter as is normally the case. The Board desired that it may be apprised on the same.

The Board discussed the proposal in details and stated that as mentioned in the agenda note, the PTC's audit committee had certain reservations on the fresh funding to the group. However, PFS is to take the view and if approved then recommend the same to the PTC for its approval.

After discussions, the Board approved the proposal subject to the approval of PTC and passed the following resolution:-

"Resolved that the additional term debt of Rs 51 crores (Rupees Fifty One Crores) to [redacted] to meet cost overrun for implementing 2x600 MW Coal Based Thermal Power Project in Singhitarai in Janjgir, Champa district, Chhattisgarh on the terms and conditions as mentioned in the agenda note, be and is hereby approved subject to approval of the PTC on the project."

Exhibit 8B - Board minutes for Costover run

Item no. 76.8 proposal for sanction of term debt of Rs. 51 crores to [redacted]

The proposal for sanction of term debt of Rs. 51 crores to [redacted] to meet cost overrun for 1200 MW coal based thermal power project in Janjgir-Champa District, Chhattisgarh, was explained to the Board as per details mentioned in the agenda note.

The Board was informed that [redacted] is implementing 2 x 600 MW Coal Fired Thermal Power Project at Singhitarai village, Janjgir Champa district, Chhattisgarh, India. The Project is being developed in pursuant to a MoU signed between [redacted] and Government of Chhattisgarh for setting up 1200 MW Thermal Plant. PFS has sanctioned a term debt of Rs. 200 crores and as on date disbursed about Rs.194 crores. Presently there is no overdue in account, however, Company is irregular in paying PFS dues since March 2015. Presently account is under SMA2 by other lenders.

It was informed to the Board that in the 1st cost over run there has been increase of Rs 2,244 crores in the project cost and estimated revised project cost is Rs. 8,444 crores. Revised cost is proposed to be funded in ratio of 75:25 with total debt of Rs. 2,111 crores and equity of Rs. 6,333 crores. Out of total Debt requirement of Rs. 1,682 crores for the cost overrun part, Lead FI, and other lenders has sanctioned total Rs 1,413.32 crores (84%) and loan document has been executed. The Borrower has requested PFS to sanction Rs. 72.34 crores as proportionate share of PFS to fund the cost overrun of the project. Out of total cost overrun debt of Rs. 1682 crores, Company has received sanction of Rs. 1609 crores and in the consortium.

The project was initially expected to achieve COD by July 2014. However, 1st Cost Overrun was sanctioned and loan agreement for cost over run is executed in March 2015 anticipating the Project "Date of Commencement of Commercial Operations (DCCO)" as January 2016. However, due to liquidity issues in Promoter company there could be further delay, accordingly, for financial analysis, DCCO of the Project is assumed as April 2017.

As per RBI circular for funding cost over run, lenders may fund upto 10% of original cost plus IDC, it is understood from SBI that funding of cost over run in excess may require provisioning of 5% of the loan amount. Therefore keeping in view the above and in order not to attract 5% provisioning, which works out to Rs 51 crores, though other lenders may continue with funding in excess of 10% original cost plus IDC. In that situation PFS exposure shall be Rs 251 crores and out of Rs 51 crores for cost over run, Rs 24.52 crores would be towards IDC of PFS portion.

The Board enquired about the balance gap funding of Rs. 21.34 crores in the consortium due to shortfall in sanction by PFS. The Board was informed that SBI officials has been informed about PFS view in one of the meeting while expressing its view on issues in the project. The gap could be taken by other lender or the promoter as is normally the case. The Board desired that it may be apprised on the same.

The Board discussed the proposal in details and stated that as mentioned in the agenda note, the PTC's audit committee had certain reservations on the fresh funding to the group. However, PFS is to take the view and if approved then recommend the same to the PTC for its approval.

After discussions, the Board approved the proposal subject to the approval of PTC and passed the following resolution:-

"Resolved that the additional term debt of Rs 51 crores (Rupees Fifty One Crores) to [redacted] to meet cost overrun for implementing 2x600 MW Coal Based Thermal Power Project in Singhitarai in Janjgir, Champa district, Chhattisgarh on the terms and conditions as mentioned in the agenda note, be and is hereby approved subject to approval of the PTC on the instant project."

Exhibit 8C - Board minutes for MD CEO powers

Minutes of the 52nd Board Meeting of PTC India Financial Services Limited (PFS) held on Thursday, 27th June, 2013 at 3:30 p.m. at Board Room, PTC office, 2nd floor, NBCC Tower, 15 Bhikaji Cama Place, New Delhi-110066.

659. Appointment of MD & CEO of the Company.

"Resolved that the resignation of Shri [redacted] as Managing Director of the Company be and is hereby accepted by the Board with immediate effect.

Further resolved that in term of Section 260 of the Company Act, 1956 Shri [redacted] be and is hereby appointed as Director on the Board of the Company as non rotational nominee Director of PTC with a designation of "Chairman" on non executive basis subject to the approval of shareholders in the ensuing AGM.

Further resolved that any Director/ Company Secretary of the Company be and is hereby authorized to place the proposal to shareholders in ensuing AGM for his appointment, as required, and also to execute, sign and file relevant forms and documents with the concerned Registrar of Companies and inform the Reserve Bank of India about his appointment and take further actions as may be necessary in this regard."

The Board welcomed Shri [redacted] as Chairman and Shri [redacted] resumed the Chair.

The Chairman stated that the office of the Managing Director may not be vacant since now onwards; delegation of powers of CMD would be exercised by the MD. The Board was of the view that since both the Whole-Time Directors had applied for the position of MD & CEO of the Company, therefore, it would not be appropriate to give the additional charge of MD & CEO to any of them. Chairman suggested that it will be prudent that if as an interim arrangement, PFS appoints Shri [redacted], Director (M&O), PTC, who has good track record in PTC as MD & CEO of PFS. After discussions, the Board unanimously decided that Shri [redacted] Director (M&O) PTC, may be appointed as MD & CEO of the Company for a period of three months or till a full-time MD & CEO is appointed, whichever is earlier, and further decided that he will exercise such powers which were earlier delegated to CMD from time to time and passed the following resolutions: -

"Resolved that pursuant to the provisions of Section 260, 269, 316 read with Schedule XIII and other applicable provisions of the Companies Act, 1956 and with the consent of all the Directors present at the meeting approval be and is hereby accorded for appointment of Shri [redacted], as Managing Director & CEO of PFS for a term of three months with immediate effect or date of joining of a full-time MD & CEO of PFS, whichever is earlier.

Further resolved that Shri [redacted] shall exercise the powers of MD as mentioned in the Companies Act, 1956 and other laws/ statutory guidelines applicable to the Company and those powers which were delegated earlier to CMD from time to time.

Further resolved that any Director/ Company Secretary of the Company be and is hereby authorized to place the proposal to shareholders in ensuing AGM for his appointment, as required, and also to execute, sign and file relevant forms and documents with the concerned Registrar of Companies and inform the Reserve Bank of India about his appointment and take further actions as may be necessary in this regard."

Exhibit 8D - Internal note

PTC India Financial Services Ltd.

File No./PFS/Delhi/ACPL/ DA0601001/I

6th September 2011

Sub: Loan No. DA0601001 : Term Loan of Rs 200 Crores to M/s [redacted]) for setting up of 2x600 MW coal based power project at Singhitarai Village, Janjgir-Champa district, Chhattisgarh: Modification of certain Terms and Condition of Loan Sanction of PFS

PFS has sanctioned term loan of Rs 200 crores to the subject project vide letter dated 17th March 2011. SBI is the lead banker in the project. The loan documents for the project were signed on 30th March'11. In pursuance towards fulfillment of the pre-disbursement conditions, a lender's meeting was held in Hyderabad on 12th August'11, wherein SBI had informed of certain modifications that shall be required to fulfill the pre-disbursement conditions. In addition, [redacted] has also requested for modification of certain Terms and Conditions (T&C) (Placed at Annexure I). The details of the same are as below:

1. **Extension of timeline for signing of FSA:** As per one of the conditions of Common Loan Agreement (CLA), "ACPL needs to execute a firm FSA, on a long term basis, with SECL for supply of 2.747 MTPA of F Grade coal latest by 31/7/2011". Although the same is not a pre-disbursement condition, in this case, since the first disbursement is happening after 31st July'11, the same is required to be complied with for disbursement. As per the LoA issued by SECL, FSA needs to be signed by [redacted] within three months of the expiry of LoA, which is 30th Oct'11. The Company has achieved all the milestones stipulated under LoA and has submitted the same to SECL.

   The Company has therefore requested for extension of the timeline for signing of FSA by 6 months to cover any delay in the process i.e. FSA shall be signed by 31/1/12. The extension of the same shall be subject to [redacted] (the promoter of [redacted] which is the promoter of [redacted] furnishing a legally enforceable undertaking to meet the debt payment till the signing of FSA.

   The approval of the lead bank i.e. State Bank of India for the same is placed at Annexure II.

   Keeping in view that the Company is allocated coal block that will meet around 50% of its coal requirement; the risk of coal supply is mitigated to that extent.

2. **Waiver for assignment of Bulk Power Transmission Agreement (BPTA) in favor of lenders:** As per Clause 6.2 (u) (3) (ii) of the CLA, "all the rights of the Borrower in the Project Documents and Contract(s), after approval by the respective counter parties to such Project Documents are to be assigned in favor of Security Trustee". In this regard, [redacted] had sought consent from [redacted] ([redacted]) for assigning its right in BPTA in favor of Security Trustee. However, [redacted] has conveyed its inability to issue No Objection Certificate (NoC) for assignment of the rights citing CERC guidelines and also conveyed that such NoC has not been provided to any other projects till date by them. (a copy of [redacted] letter is attached as Annexure III). Also Borrower's rights under Transmission Service Agreement (TSA) cannot be assigned to the lenders.

guidelines and also conveyed that such NoC has not been provided to any other projects till date by them (a copy o[redacted]letter is attached as Annexure III).

In the lender's meeting of [redacted] held in Hyderabad on 12th August'11, it was decided that individual lenders need to take relevant action for decision on the waiver.

In this regard, relevant CERC regulations on Open Access on Inter State Transmission of 2004 and 2009 has been perused. The regulation of 2004 mentions that the rights of [redacted] in the BPTA shall not be relinquished or transferred without CERC's approval and subject to payment of certain compensation. Further, regulation of 2009 has only mentioned about the relinquishment of the rights but is silent on the transfer of any such rights.

Keeping in view the latest CERC regulation and letter from [redacted] the following can be concluded:

- In other contracts to be assigned to the lenders, the assets underlying the contracts is owned by the Company. Contrary to this, under BPTA, the asset is owned by [redacted], only the Right to Transmit is given.
- As the asset is actually owned b[redacted] therefore, there is no obligation to grant the assignment of contracts to Companies.
- Transmission Corridors are also used by other Companies also and is not the exclusive right of a particular Company.
- In case of any default by the Company to the lenders and lenders taking over the assets, as the BPTA is entered with the Company only, the BPTA contract remains as such and the Company can transmit power as agreed.

Although the lead bank is yet to provide its consent towards the same, based on the above, waiver towards the same may be granted.

As per the Board resolution for the subject loan "*that CMD or his authorized representative is authorized, to approve and amend general terms and conditions including special conditions - pre-commitmenAZt/pre-disbursement and other conditions of debt sanction as may be necessary in this regard in line with the spirit of Consortium financing with Lead FIs / Banks and to execute the loan agreements and other related agreements including security agreement and register the charge on assets with the Registrar of Companies and to take such other necessary actions including for assignment/agreement of assignment of assets of [redacted] to PFS' lenders or any other agreement in this regard.*"

Therefore, it is proposed to relax/ waive the following Terms & Conditions of the sanction in order to facilitate the disbursement to the project:

1. Extending the timeline for signing of FSA by 6 months i.e. FSA should be signed by 31/1/12, subject to [redacted] providing a legally enforceable undertaking to meet the debt payment till the signing of FSA
2. Waiving the condition for assignment of Bulk Power Transmission Agreement (BPTA) in favor of lenders. subject to last installment also upon

The proposal for modification in terms and condition as mentioned above is put up for consideration and approval please.

[redacted]
Manager

[redacted] 6/9
(Sr Vice President)

Director (AH) 7/9

CMD 7/9/11

PTC India Financial Services Ltd

File No./PFS/Debt/ACPL/ DA0601001/I

1st January 2013

Sub: Loan No. DA0601001 : Term Loan of Rs 200 Crores to M/s [redacted] for setting up of 2x600 MW coal based power project at Singhitarai Village, Janjgir-Champa district, Chhattisgarh: Modification of certain Terms and Condition of Loan Sanction of PFS

PFS has sanctioned term loan of Rs 200 crores to the subject project vide letter dated 17th March 2011. SBI is the lead banker in the project. The loan documents for the project were signed on 30th March'11. A lender's meeting was held in Hyderabad on 19th July'12, wherein the Company had requested for certain modifications that shall be required to fulfill the disbursement conditions (Minutes placed at Annexure I). It was opined in the meeting that the Lender's Engineer should provide its comments on the relaxations sought. The opinion of LE is placed at Annexure II. Expected CoD of the project is Aug'14, which is delayed by a month.

The details of the relaxations sought are as below:

1. **Extension of timeline for creation of security on balance land:** As per one of the conditions of Common Loan Agreement (CLA), which was amended in February 2012, "[redacted] needed to create mortgage on balance 155.03 acres of land till 30th June'12". After this, the Company has acquired some more portion of land and now needs to acquire balance 101.90 acres of land out of the total 1012.86 acres required for the project.

   (86 acres)
   The balance land is Government Land and is to be acquired through Chhattisgarh State Industrial Developmental Corporation Ltd (CSIDC). The new policy on the process of acquisition and pricing of government land is expected to be issued by way of official gazette shortly after which the same shall be transferred to the Company.

   As per the LE report for September 2012, the balance portion of land is required for ash pond and coal handing area, raw water reservoirs, railway sliding etc. only and shall not have an impact on civil progress.

   The Company has therefore requested for extension of the timeline for creation of security on balance land by April 30, 2013.

2. **Extension of timeline for execution of back to back PPA for the balance 387 MW on long term basis:** As per one of the conditions CLA, "Company needs to execute back to back power sale agreement for the entire output so as to ensure that the average gross DSCR is not less than 1.1 within twelve (12) months from the Initial Drawdown Date or the date of opening of the LC, whichever is earlier".

   The status of power sale tie up of the Company is as below:

Details	MW(Gross)
Total Power (Gross)	1200

Merchant Sale through PTC	180
Long term (LT) Sale of Power	**1020**
PPA with CSP Tradeco (Govt of Chhattisgarh)	473
Back to Back PPA with Nepal Electricity Authority through PTC	160
Balance Power to be sold on Long term basis	387

Note: The above figure are on gross output basis and excludes auxiliary power which would be in the range of around 7%.

In addition, the company has submitted its bid for 200MW invited by Rajasthan State under the Case 1 bidding guidelines through PTC. The Financial Bid is yet to be opened. In addition to this, the company will continue to participate in Case 1 bids from time to time to tie up the balance long term power. The company is also exploring other options of power sale such as participating in sale of bundled power for which PTC is already in discussions with several state discoms.

The Company has therefore requested for extension of the timeline for signing of balance PPA by June 30, 2013 so as to ensure that the Average Gross DSCR is not less than 1.1.

Extension of timeline for obtention of Right of Way for transmission line: As per one of the conditions CLA, [redacted] needed to obtain 'right of way' for transmission lines from Kotra pooling station up to the Project Site within twelve (12) months from the Initial Drawdown Date or the date of opening of the LC, whichever is earlier".

The Company has informed that out of the total length of approx 24 km, the Contract for laying 18.5 km of double circuit transmission line has already been awarded to [redacted] and the works are in progress as per the schedule. The company had been discussing with [redacted] for jointly laying the multi circuit transmission line (common length). However DB Power did not agree for the same, who is focusing on a LILO line currently and not on tie line. Hence, the proposal for joint development with DB Power did not fructify.

Meanwhile, [redacted] advised the company to join [redacted] for laying of multi circuit (M/C) transmission line of about 5.5 kms. Subsequently, the company entered in to a MOU with [redacted] on Sept 28, 2012 to this effect. The contract for laying the M/C transmission line would be awarded soon while the activity of D/C line is in progress, simultaneously the route alignment for the M/C line is completed. The detailed survey for M/C line is also almost complete and the construction works for both the double circuit and multi circuit lines are expected to be completed as per the schedule.

The Company has therefore requested for extension of the timeline for obtention of Right of Way for transmission line by April 30, 2013.

As per the LE report, with proper planning and coordinated monitoring, it may be possible to complete the transmission line ready as per schedule.

I. **Extension of timeline for execution of fuel transportation agreement (FTA) with Indian Railways:** As per one of the conditions CLA, "ACPL needed to enter into firm Fuel Transportation Arrangement with the Indian Railways within twelve (12) months from the Initial Drawdown Date or the date of opening of the LC, whichever is earlier".

The Company represented that any proposal for entering into an agreement for transportation of coal would be considered only upon execution of FSA with SECL as the mine from which the coal is to be sourced would be known only after the execution of FSA. All the lenders have permitted the Company to sign FSA by 30th June'13.

The Company has therefore requested for execution of fuel transportation agreement (FTA) with Indian Railways by September 23, 2013.

5. **Extension of timeline to award contracts, obtain right of way and acquire land with regard to railway sliding;** As per one of the conditions CLA, "[redacted] needed to award contracts, obtain right of way and acquire land with regard to railway sliding within twelve (12) months from the Initial Drawdown Date or the date of opening of the LC, whichever is earlier".

Out of the 12 kms of rail line, 9 km falls under a common route to be shared with [redacted] Remaining 3 km is to be constructed for [redacted]. The railway siding is implemented in three packages. [redacted] has already awarded the contract for construction of 12 kms (i.e. Package I) of railways track with overhead electrification works within the plant yard. The railway embankment work is in progress, and supplies are being ordered for permanent way materials. Majority of the land for Package I is already in [redacted] possession and hence the construction works have also commenced.

The contracts for Package II and III are targeted to be released by [redacted] shortly. For area falling under Package II & III, land acquisition is in process. The applications are awaiting in-principle approval with Industries dept. Meanwhile, the process of awarding the contract is on for Package II & III and NTP will be issued to enable contractor to start the preparatory work.

LE is of the view that the 12 km railway siding work outside plant boundary by M/s [redacted] can be completed by 9 months before the scheduled COD provided:

- Land should be acquired at least 16 months before COD.
- Multiple gangs within one contract to be deployed for parallel execution of work.
- Deployment of specialized gang for overhead line and signaling system
- Proper coordination and close monitoring of implementation of railway work
- Award all Contracts at least 17 months before COD for completion of work.

The Company has therefore requested for extension of the timeline to award contracts, obtain right of way and acquire land with regard to railway sliding by January 31, 2013.

In the lender's meeting of [redacted] held in Hyderabad on 19th July'12, it was decided that individual lenders need to take relevant action for decision on the waiver.

As per the Board resolution for the subject loan "*that CMD or his authorized representative is authorized, to approve and amend general terms and conditions including special conditions - pre-commitment/pre-disbursement and other conditions of debt sanction as may be necessary in this regard in line with the spirit of Consortium financing with Lead FIs / Banks and to execute the loan agreements and other related agreements including security agreement and register the charge on assets with the Registrar of Companies and to take such other necessary*

Extension of timelines would imply that for extended period penal interest @ 1% as per CLA would not be charged.

actions including for assignment/agreement of assignment of assets of [redacted] to PFS' lenders or any other agreement in this regard."

The source of coal for around 50% of fuel requirement of the project is proposed to be met through [redacted] Block which has been allocated to [redacted] (earlier [redacted]), which in-turn has a coal supply agreement with the Company and rest 50% fuel requirement is proposed to be met through coal linkage. The said coal-block is figuring in the list of coal blocks in the CAG report on allocation of Coal Blocks. The Company subsequently informed all the lenders that they have provided required information to the investigating agency. Thereafter, one of the investigating agencies also conducted a separate enquiry on the Company in this regard for the reason of misstating the net-worth at the time of allocation. Lead Bank, SBI's view was sought by PFS in this regard, to which they have responded that the same was taken up with the Company and has enclosed Company's reply on the same (Attached as Annexure IV). As per the response provided by the Company there was no misrepresentation from their side during the allocation of Coal Block.

SBI, the lead bank has already given waiver towards the above requested conditions (Placed as Annexure V) and has also disbursed its portion towards the latest Lender's Confirmation Notice issued.

In view of the above, it is proposed to relax/ waive the following Terms & Conditions of the sanction in order to facilitate the disbursement to the project:

1. Extending the timeline for creation of security on balance 101.90 acres of land by April 30, 2013.
2. Extending the timeline for obtention of Right of Way for transmission line from project site to Kotra pooling station by April 30, 2013.
3. Extending the timeline for signing of back to back PPA for the balance 387 MW by June 30, 2013 so as to ensure that the Average Gross DSCR is not less than 1.1.
4. Extending the timeline requested for execution of fuel transportation agreement with Indian Railways by September 23, 2013 to the satisfaction of LIE/Lenders.
5. Extending the timeline to award contracts, obtain right of way and acquire land with regard to railway sliding by January 31, 2013 to the satisfaction of LIE/Lenders.

The proposal for modification in terms and condition as mentioned above is put up for consideration and approval please.

[redacted]

Manager

[redacted]

(Sr. Vice President)

2/1/13

Director (AH)

CMD

2/1/13

2/1/13

Project: [redacted]

r (AH) comment: How 'A' relates to our (PFS) approach for coal mine based projects?

Response: The relaxations sought are for extension of timelines earlier given for compliance of some of terms and conditions of the Common Loan Agreement already signed, inline with the lead Bank, SBI. The facts cited at 'A' are for information purpose. The decision of Risk Management Committee (RMC) r coal block cases held on 31st Dec'12 is awaited. However, as learnt those are to be applied in partly financed cases while considering further disbursement. Therefore, call with reference to RMC decision to be taken at the time of disbursement as and when it comes.

laxation of terms and conditions as per SBI if not done now may require Company paying penal erest for one of the conditions i.e. land and for the rest, shall attract Event of Default situation, for the ise as per the original stipulation.

[redacted]a
Manager

[redacted]
Vice President) 8/1

ector (AH) 4/1

MD 1/1/13

PTC India Financial Services Ltd

o. PFS/ACPL/ DA0601001/I

February 26, 2014

ct: Loan No. DA0601001 – M/s [redacted] for setting up of 2x600 coal based power project at Singhitarai Village, Janjgir-Champa district, Chhattisgarh: ication in Terms and Conditions of loan regarding

[redacted] was sanctioned a term loan of Rs. 200 crores by PFS in Mar 2011. the Lead Bank. The loan documents for the project were signed on 30th March'11. As on date out of Rs r sanctioned debt, Rs 2798 cr has been disbursed by the lenders. PFS has disbursed Rs 113.08 cr as on

t Status: The lender's meet of the project was held on 13th Feb'14 in Hyderabad (minutes at Annexure erein it was informed that the power plant has achieved overall progress of 70%.There is a delay of 1 year envisaged in the project primarily due to non-availability of BTG equipment in time, thereby ng the associated civil and infrastructure works as well. 1st Unit of the project is now expected to be ssioned by April'15 and 2nd unit by July'15.

tal cost of the project is Rs 6200 cr, funded in debt equity ratio of 75:25, out of which expenditure of Rs r has been incurred on the project. The company has further informed that there is a cost overrun in the by around Rs 1811 crores, which is under assessment with Lead Bank – SBI.

at status of fund infusion/ Request of the Borrower:

Rs 1550 cr required for the project, Rs 932 cr has already been brought in the project. The Company ed that there is immediate requirement for expenditure of around 1259 crores in the project till July 2014 up the momentum of construction activities. Out of the same there are already overdue payments of 50 crores comprising payments to be made to equipment supplier, overdue IDC & payments to ment authorities towards Barrage construction.

mpany informed that there shall be some delay in bringing more equity in the project. In respect of the t was informed in the meeting that the Promoters have executed a term sheet with an investor from East. The Due Diligence process in relation to proposed investments by the investor has been completed umentation process is underway. It was also informed that the investor is expected to acquire upto 49% stake in [redacted] (the holding company of [redacted]). The first tranche of nfusion of Rs. 150 crores into [redacted] is expected by end of April 2014 and the second tranche of Rs. 150 s expected by end of June 2014. Balance equity would be infused based on the project requirements

g in view the delay in bringing equity and need for keeping up the project momentum, the company ed the lenders to either give NoC for raising short term loans of Rs. 600 Crores for a tenure of 6 months consortium lenders may release undrawn portion of term loans of up to Rs. 600 Crores by temporarily g the Debt Equity Ratio until the infusion of equity.

egard, the options were discussed by the Lenders and it was decided to consider the option of releasing m loan of Rs 600 cr out of the undrawn facility by the consortium by relaxing the debt equity ratio for 6 , subject to the following additional comforts to be provided to the lenders:

Corporate Guarantee of Promoter company [redacted].)

Increase in pledge of shares of [redacted] from current stipulation of 51% to atleast 74%

Present Request: Subsequently, borrower vide letter dated 15th February 2014 (copy placed at Annex has requested for releasing long term loan of Rs 600 cr out of the undrawn facility by the consorti relaxing the debt equity ratio for 6 months.

Further, they have also requested for extension in timelines, for extension in timelines for compliance following conditions:

1. Completion of necessary transmission lines from the Project Site to the nearest pooling station Sep, 2014. (earlier timeline was within six (6) months before Project COD or Scheduled whichever is earlier)
2. Acquisition and creation of mortgage on balance 155.03 acres of land till 30th April, 2014. (e timeline upto 31st Dec'13)
3. Execution of O&M Contracts Arrangement for executing O&M works till 30th June, 2014. (e timeline was within six (6) months before prior to Project COD or Scheduled COD, which earlier)
4. Construction of the raw water pipeline up to the Project Site upto 30th October 2014. (earlier ti was within nine (9) months before Scheduled COD or Project COD, whichever is earlier)
5. Awarding contracts, obtaining right of way and acquisition of land with regard to Common r aliding till 30th April, 2015 and commissioning the railway line so as to enable it to take th operational load by 30th April, 2016. (earlier timeline upto 31st Mar 2014 and 31st December 201
6. Commissioning of railway link for the movement of coal from coal block to the Project Site ti December, 2017. (earlier timeline was within nine (9) months before Scheduled COD or Project C
7. Execution of firm FSA with SECL till 31st May, 2014. (earlier timeline was till 31/1/2014).
8. Execution of back to back power sale agreement till July, 2015. (earlier timeline upto April 2014)
9. Make alternate arrangements for coal supply if coal block is not ready before 31st December (earlier timeline upto 31st December 2013)

The status of the conditions are being discussed as below:

S.No.	Present Clause	Proposed amendment	Rationale for amendment
1	Borrower's undertaking: The Borrower shall complete the necessary transmission lines from the Project Site to the nearest pooling station near Kotra within six (6) months before Project COD or Scheduled COD, whichever is earlier.	Timeline to be extended till 30th Sep, 2014	The transmission line has been delayed on a modification in the network from a double circui multi-circuit line and further modifications on sha network as advised by [redacted] There are two tra lines from the project site to the [redacted] sub-st Company has informed that tower foundations locations for Double Circuit Transmission Line are and are in progress at other locations and erectio towers has been completed. For Multi Circuit Transmission Line, founda completed at 15/19 locations (17 with M/s [redacted] and 2 with M/s [redacted] and erection works of is completed. The company expects to complete transmission line works by September 30, 2014.

Present Clause	Proposed amendment	Rationale for amendment
		RoW has been obtained for the entire line. The scheduled CoD of the project was 1st July'14 as per the CLA. Since the project is now expected to be commissioned by July'15, therefore, extension is sought. Financial Implication on PFS: None
Borrower shall acquire and create mortgage on balance land till 31st Dec'13.	Timeline be extended till 30th Apr, 2015	Out of total land requirement of 1012.85 acres, the Company has acquired 927.275 acres of land and has mortgaged 910.96 acres in favour of the Lenders. The company has informed that it is in the process of creation of charge on 16.31 acres of land already acquired. The total requirement of the land has come down to 979.56 acres. Out of the land acquired, 25.96 acres of land has to be exchanged by the Company for Government land, which is in process. The status of acquisition of rest of the land as informed by the Company, is as follows: • Private Land (12.89 acres): Notification for acquisition of land under Section 4 of Land Acquisition Act, 1894, has been published in the Official Gazette in October 2013. Process is underway for issue of Notice under Section 6 under the Land Acquisition Act. • Government Land (0.87 acres): District Collector has given instruction to the Sub divisional Magistrate to commence the land acquisition process. • Government land (25.96 acres): The Company informed that it will have to transfer 25.96 acres of land already acquired, in exchange for 25.96 acres of Government Land to be acquired. In this regard, transfer of land of 6.37 acres of land has already been. Transfer of the balance land is in process. • Revenue forest land (38.82 acres): Proposal has been recommended by District Forest Officer- Janjgir-Champa and Conservator of Forest, Bilaspur to Chief Conservator of Forest, Raipur. The Company clarified that it would not be able to create mortgage on the revenue forest land and it would assign the letter received from the Forest Department in favour of the lenders. According to the latest LE report, the balance land is required for Ash pond, MGR and Raw Water reservoir. The Company sought extension of time from the lenders for acquisition of balance land and creation of security thereon, in view of the upcoming elections and the processes involved under the new Land Acquisition Act. Financial Implication on PFS: None.
The Borrower shall enter into O&M Contracts /arrangement	Timeline to be extended till 30th June, 2014	The scheduled CoD of the project was 1st July'14 as per the CLA. Since the project is now expected to be commissioned by July'15, therefore, extension is sought.

S.No.	Present Clause	Proposed amendment	Rationale for amendment
	for executing O&M works on its own at least six (6) months before prior to Project COD or Scheduled COD, whichever is earlier.		Financial Implication on PFS: None
4	The Borrower shall construct the raw water pipeline up to the Project Site within nine (9) months before Scheduled COD or Project COD.	Timeline to be extended till 30th October, 2014	Out of total length of 31 kms of raw water pipeline, (has already laid pipeline for 28 kms. Balance p expected to be completed by June 2014 and all the r intake systems by October 30, 2014. The scheduled CoD of the project was 1st July'14 CLA. Since the project is now expected to be com by July'15, therefore, extension is sought. Financial Implication on PFS: None
5	• The Borrower shall award contracts, obtain right of way and acquire land with regard to Common railway sliding till 31st Mar'14. • The Borrower shall commission the railway line so as to enable it to take the fully operational load by December'14.	Timeline for acquisition of land to be extended till 30th April 2015 and for commissioning the railway line till 30th April'16.	The Company proposes to develop the external railw for ~12 kms (from common point outside the plant upto Kharsia railways station) in joint venture w [redacted] Land totaling ~177.52 acres for t railway siding outside the plant area is to be acquir common railway siding by the JV Company. The status of land acquisition was informed by the compa • Private Land (156.80 acres): Notification for acq land under Section 4 of Land Acquisition Act, been issued for 19.72 acres in Janjgir Champa d 137.08 acres in Raigarh district and process is und publication of Section 4 for the same. • Government Revenue Land (5.09 acres): Applic been submitted to District Collector for acquisitio • Revenue Forest Land (12.13 acres): The company that the transfer process would be initiated by Department once the project gets NOC from th through Gram Sabha which is under progress. • Railway Lease land (3.5 acres): The required have been obtained for entering into Land Agreement, Land licensing fee and Security Depo SECR, Bilaspur. Agreement expected to be fi end April 2014. Since the project is now expected to be commis July'15, till the time the railway line is commissio April'16, the Company shall use road tran transporting the coal to the site. Financial Implication on PFS: None
6	The Borrower shall commission railway link for the movement of coal from coal block	Timeline to be extended till 31st December 2017	An SPV was formed in the name of [redacted] ([redacted]) by ACPL, DB power, [redacted] Powergen. As per the revised proposals the SPV purpose of Coal Evacuation from Dharamjaigarh to

Present Clause	Proposed amendment	Rationale for amendment
within nine (9) months before Scheduled COD or Project COD.		MoU with [redacted] for sharing one of their lines from Gurda-Kharsia. In-principle approval for rail connectivity has been received for connection from Dharamjaigarh to power plant. IRCON's proposal for including Dharamjaigarh- Kharsia in East Corridor- I has been received and accordingly FLPL will be joinign the same. FLFP will build the railway line from Dharamjaigarh to Fatehpur East coal block. FLPL has appointed consultant for detailed survey of the same for which DPR is expected to be ready soon. Financial Implication on PFS: None
The Borrower shall execute a firm FSA, on a long term basis, with SECL for supply of 2.747 MTPA of F Grade coal latest by 31/1/2014".	Timeline to be extended till 31st May, 2014	The Standing Linkage Committee, in its Meeting held on December 20, 2013, has approved the change in name of the Company i.e. status change from Private Limited Company to Public Limited Company and confirmed that all the milestones thereunder have been achieved. The Ministry of Coal and the Cabinet Committee on Investments have also given necessary approvals. The Company is following up with South Eastern Coalfields Ltd for execution of FSA by March 2014. Since the project is now expected to be commissioned by July'15, therefore, extension is sought. Financial Implication on PFS: None
Company needs to execute back to back power sale agreement for the entire output so as to ensure that the average gross DSCR is not less than 1.1 till 30th April'14.	Timeline to be extended till July, 2015	The status of power sale tie up of the Company is as below: **Details** — **MW(Gross)** **Total Power (Gross)** — **1200** Merchant Sale through PTC — 180 **Long term (LT) Sale of Power** — **1020** PPA with CSP Tradeco (Govt of Chhattisgarh) — 473 Back to Back PPA with Nepal Electricity Authority through PTC — 160 Balance Power to be sold on Long term basis — 387 **Note:** The above figure are on gross output basis and excludes auxiliary power which would be in the range of around 7%. The company's bid for 200MW to Rajasthan State has been shortlisted as L4 and Bid Bond Guarantee has been extended. Further, they are also in process of tying up 100 MW with Government of Kerala through PTC. Since the project is now expected to be commissioned by July'15, therefore, the extension is being sought. Financial Implication on PFS: None
The Borrower shall make alternate arrangements for coal	Timeline to be extended till 31st December 2014	Status of [redacted] Prospecting License has been granted to [redacted] and Mining Plan & Mine Closure Plan has been approved by MoC. State approval for Mining Lease

S.No.	Present Clause	Proposed amendment	Rationale for amendment
	supply if coal block is not ready before 31st December 2013.	*CBI Lord com	has been obtained and been forwarded to MoC f approval. Public hearing (for Environmental Clear successfully held on January 10, 2014. Final EIA/E submitted to MoEF. Regarding Forest Clearance (from 4 gram Panchyats has been obtained for Diversion. Application of Stage I FC has been submi The Ministry of coal through office memorandum February 2014 has recommended "No action a against Fatehpur East coal block. The decision of Risk Management Committee (RM coal block cases has not been reviewed and the sa be seen at the time of disbursement. In view of delay in development of the coal Company has applied for tapering coal linkage for the project (for which coal from coal block is to be the final outcome on the same is awaited. Fu Company informed that it has also entered into importing coal to meet the fuel requirements of the of the project. Financial Implication on PFS: None

Proposal:
Although the lead bank, SBI has not yet issued the modification for the conditions as discussed above, lender's meeting of [redacted] held in Hyderabad on Feb'14, it was decided that keeping in view the requirement of funds all the lenders need to take relevant action for decision on the waiver and not wait has accorded its approval for the same. However, the amendment by respective lenders shall be applicab once all the lenders in the consortium have given similar approval.

Keeping in view the above, it is proposed to extend timeline of condition as mentioned aforesaid and als the Company to take additional disbursement of Rs 600 cr from the consortium lenders out of the u portion by relaxing the debt equity ratio of 75:25 for a period of 6 months subject to the following ad comforts to be provided to the lenders:

- Corporate Guarantee of Promoter company [redacted]
- Increase in pledge of shares of [redacted] from current stipulation of 51% to atleast 74%

As per the resolution, MD or his authorized representative is authorized to approve modification sanction. Note is submitted for kind consideration and approval please.

[redacted]

AVP M

* CBI filed an FIR against the C allocated to the company, company has informed th provided all the requi

SBS [redacted]

EVP

Dir (AH)

MD&CEO

PTC India Financial Services Ltd.

Note for Approval

File No. PFS/ ACPL/ DA0601001/I

March 30, 2015

Subject: Loan No. DA0601001 – M/s [redacted] for setting up of 2x600 MW coal based power project at Singhitarai Village, Janjgir-Champa district, Chhattisgarh: Modification in certain Terms and Conditions of loan regarding

1. Background

M/s [redacted] was sanctioned a term loan of Rs. 200 crores by PFS in Mar 2011. SBI is the Lead Bank. PFS has disbursed Rs 169.51 cr as on date towards long term debt. As on date out of Rs 4650 cr sanctioned long term debt, Rs 3683.75 cr has been disbursed by the consortium lenders. As the company had been facing issues in raising equity from its promoters, the Borrower had requested for sub-debt of Rs 400 cr to be treated as equity till equity infusion takes place, which was envisaged to be paid back till 31st Mar'15, however, the Company is seeking extension for the same till 30th Sep'15 now. Out of the same, Rs 100 cr sub-debt was sanctioned by SBI, Rs 115 cr by Bank of Maharashtra and Rs 20 cr by PFS. The sub-debt facility is carved out of the sanctioned long term debt portion of SBI and PFS, being existing lenders in the consortium.

The conduct of the account is satisfactory. The documentation for sub-debt facility is under finalization for PFS.

2. Project Status

The lender's meet of the project was held on 24th Feb'15 in Hyderabad, wherein it was informed that the power plant has achieved overall progress of 81% as on 31st Jan'15.There is a delay of around 1.5 year envisaged in the project primarily due to non-availability of BTG equipment in time, thereby delaying the associated civil and infrastructure works as well. As per the lead Bank, the revised SCOD for 1st Unit of the project is now expected by Oct'15 and 2nd unit by Apr'16 with overall delay of 18 months from SCOD.

[redacted] has executed PPA (for 50% power) with Nepal Electricity Authority (NEA) (through PTC) for 150 MW and with Chhattisgarh (CSP Tradeco) for 450 MW. [redacted] has signed Fuel Supply Agreements (FSA) for one unit of the project with SECL on 27.02.2015. Ministry of Coal had allotted coal mines at [redacted] for Unit II. However, the Hon'ble Supreme Court, in its judgment on September 23, 2014, has cancelled 214 out of 218 coal blocks allotted since 1993, under which, [redacted] is also cancelled. [redacted] is now planning to participate in auction/ reallocation of cancelled coal blocks for the balance portion, however it is yet to participate in any of the biddings that have happened. The Company is contemplating to get long term linkage in lieu of coal block in case it is not successful in bidding.

3. Project Cost Overrun

The overall original project cost approved by lender is Rs 6200 crores (Rs. 5.17 crore/ MW) with debt of Rs 4650 crores (75%) and equity of Rs 1550 crores (25%). 25, out of which expenditure of Rs 4796.70 cr has been incurred on the project. There has been a cost increase of around of Rs 2243.77 crores in the project and the revised project cost is estimated as Rs 8443.77 Cr (Rs. 7.03 crore/ MW). The Cost overrun is proposed to be funded in a debt equity ratio of 75:25 with equity of Rs 561.77 crores and additional debt of Rs 1682 crs. With this the overall debt equity ratio remains at 75:25. SBI has approved the cost overrun and has also sanctioned additional Rs 600 cr towards the debt portion of the same.

As per the LE report and Information Memorandum prepared by the Lead Bank – SBI, the cost overrun of Rs 2243.77 Crores in the project is majorly on account of the following:

- Increase in cost for acquisition of land by 39 crores due to various factors including change in Govt. notified rates and Land registration rates, the company had to spend additional amount to acquire the project land.
- Increase in EPC cost by Rs. 795.31 crores on account of forex variations, insurance and towards monitoring activities
- Increase in Non EPC cost by Rs 382.06 crores mainly due to increase in scope of Transmission line and external facilities works, civil works for BoP, Railway Siding etc.
- Increase in preliminary and pre – operative expenses by Rs 105.88 Crores due to increase in finance cost, administrative expenses, insurance cost etc.
- Increase in working capital margin by Rs 220.23 Crores due to change in assumption for working capital money margin, increase in prices of various inputs like coal and fuel oil as well as O&M expenses and increase in tariff leading to higher value of receivables.
- Increase in Trial / Pre Commissioning/ Environment Management by Rs 131.53 cr due to increase in Environmental measures, CSR activities etc. and rise in cost of start-up fuel.
- Increase in IDC by Rs 737.38 Crores due to delay in commissioning of the Project and increase in the actual rate of interest paid to the Lenders as compared to assumed rate of interest at the time of achieving financial closure and increased debt for funding of cost overrun.

Summary of the cost overrun is as below:

Cost	Original	Revised	Increase/ (Decrease)
Land & Site Development	150.63	189.63	39.00
Plant & Equipment- BTG	1,909.62	2479.11	569.49
Balance of Plant - BOP (Mechanical Services + Electrical Services)	1,535.10	1,760.92	225.82
Transmission Line, External facilities	153.4	234.37	80.97
Civil & Infrastructure Works	1,223.74	1,524.83	301.09
Total Hard Cost	4,972.49	6188.86	1216.37
Preliminary & Preoperative Expenses	280.76	386.64	105.88
Trial/pre commissioning/ environment management	53.1	184.63	131.53
Contingency	97.54	97.54	0.00
Margin money for working capital	58.73	278.96	220.23
Interest during Construction	737.38	1307.14	569.76
Soft Cost	1,227.51	2254.91	1027.40
Total Cost	6200.00	8443.77	2243.77

Copy of approval from SBI for the above and extension in timelines for compliance of certain terms and conditions is placed at Annexure - I. Copy of LIE report for cost overrun has been placed at Annexure II.

4. **Borrower Present Request:**

Borrower has requested vide letter dated 23rd March2015 (Placed in Annexure- III) for following amendment in the terms and conditions:

a) Approval for revised project cost of Rs 8443.77 crores and raising aggregate additional debt of Rs. 1682 Crores to fund project cost overrun of Rs. 2243.77 Crores, additional Bank Guarantee limit of Rs. 720 Crores and revised Working capital limit of Rs. 837 Crores. NoC for sharing reciprocal pari-passu first charge on the project assets with Lenders funding the above revised limits

b) Approval for revision in project SCOD from 1st July 2014 to 1st January 2016 (shift by 18 months) and consequential lateral shift in repayment schedule of existing loan.

c) Approval for shifting of repayment schedule by 18 months, so as to start the first repayment from 30th Sep 2016 in place of 31st Mar'15.

d) Execution of back to back power sale agreement till 31st Dec, 2015 (earlier timeline upto 30th Sep, 2015)

e) Execution of alternative arrangements for coal supply for the project within the commissioning schedule of Unit 2 of the project till 30th Nov, 2015. (earlier timeline was till 30th June, 2015)

f) Completion of balance land acquisition for main plant area and create security thereon- from till 31st December, 2015 (earlier timeline was till April 30, 2015)

g) Obtain Right of Way and acquire land for railway siding and associated till 31st December, 2015 (earlier timeline was till April 30, 2015).

h) Complete the necessary transmission lines from the Project Site to the nearest pooling station till 30th June, 2015 (earlier timeline was till 31st March, 2015).

i) Approval for conversion of retention money aggregating to Rs. 60 Crores payable to ABIR Infrastructure (BOP and Civil Construction contractor) and upto USD 30 million (~Rs. 180 Crores) to Dong fang Electric Corporation Limited (BTG Contractor), into Equity Share Capital of the Company.

5. **Proposal**

Borrower's request was discussed in the lenders meet dated 24th Feb'15. Copy of the minutes of meeting is placed in Annexure- IV. Based on the discussion during the lenders meet and the further clarification submitted by the Borrower, following amendment in the terms and condition are proposed

Existing Condition	Modified Condition	Rational for amendment
Project Cost : Rs 6,200 Crores	Revised Project Cost: Rs 8443.77 Crores	Due to the price variations in BTG contract (including on account of adverse exchange rate fluctuations) and increases in civil cost, interest during construction, financing charges, taxes and duties etc, the revised cost is now estimated at Rs 8443.77 crores i.e. an increase of Rs. 2243.77 crores. The cost overrun is proposed to be funded in original debt equity ratio of 75:25 with additional equity of Rs 561.77 crs and additional debt of Rs 1682 crs. SBI has sanctioned additional Rs 600 cr long term loan towards the same. PFS is not considering funding towards the same as the Company has approached PFC for the balance loan term loan. Financial Implication on PFS: Nil
Means of Finance Debt : Rs 4,650 Crores (75%) Equity : Rs 1,550 Crores (25%)	Means of Finance Debt: Rs 6332 Crores (75%) Equity: Rs 2111.77 Crores (25%)	
Scheduled Project	Scheduled Project	Due to delay in implementation, the revised COD of the

Existing Condition	Modified Condition	Rational for amendment
COD: 01.07.2014 Repayment Schedule: The first repayment date shall be 31st Mar 2015.	COD: 01.01.2016 Repayment Schedule: The first repayment date shall be 30th Sep 2016.	Project has been estimated to be 1st Oct'15 and for Unit II on 1st Jan 2016 after a delay of about 18 months (original COD was envisaged as 1st July 2014). The repayment of existing RTL facility was originally supposed to commence from 31st Mar 2015 Accordingly, borrower has requested to that start of the repayment of existing RTL facility may also be shifted till 30th Sep'16. As per the RBI circular dated 30th May 2013 for the Banks and notification issued for NBFC dated 23rd Jan 2014, "if the revised date of commencement of commercial operation (DCCO) fall under within the period of two years and one year from the original DCCO for infrastructure projects and non-infrastructure projects respectively, in such cases the consequential shift in repayment period by equal or shorter duration (including the start date and end date of revised payment schedule) than the extension of DCCO, would also not be considered as restructuring provided all other terms and conditions of loan remain unchanged." Keeping in view of the above said deferment in principal repayment start date by 18 months before COD and consequent increase in tenor of loan (door to door) shall not be classified as restructuring. Financial Implication on PFS: Nil
Company needs to execute back to back power sale agreement for the entire output so as to ensure that the average gross DSCR is not less than 1.1 till 30th April'14. (earlier timeline upto 30th Sep, 2015)	Timeline to be extended till 31st Dec'15	The status of power sale tie up of the Company is as below: (see table below) Note: The above figure are on gross output basis and excludes auxiliary power which would be in the range of around 7%. Apart from the above, the Company has been shortlisted for supply of 300 MW under UP Case 1 Bidding. LoI has been received for the same. The Company has submitted a proposal through PTC to UPPCL for revision in tariff of the same as the PPA has been signed with PTC. Also the Company submitted bid for 200 MW to Rajasthan Rajya Vidyut Prasaran Nigam Limited and they have been shortlisted for supply of power. However, the matter is currently sub-judice and is being heard by the courts in Rajasthan and Rajasthan Electricity

Details	MW(Gross)
Total Power (Gross)	**1200**
Merchant Sale through PTC	180
Long term (LT) Sale of Power	**1020**
PPA with CSP Tradeco (Govt. of Chhattisgarh)	473
Back to Back PPA with Nepal Electricity Authority through PTC	160
Balance Power to be sold on Long term basis	387

Existing Condition	Modified Condition	Rational for amendment
		Regulatory Commission. Since the project is now expected to be commissioned by Jan'16, therefore, execution of entire PPA is not critical at this stage, therefore, the extension is being sought. Financial Implication on PFS: None
The Borrower shall make alternate arrangements for coal supply if coal block is not ready before 31[st] December 2013. (earlier timeline upto 30[th] June, 2015)	Timeline to be extended till 30[th] Nov 2015 Import will start from Feb 2016 [illegible]	The project is based on 50% linkage coal and 50% coal block. The Hon'ble Supreme Court, in its judgment on September 23, 2014, has cancelled 214 out of 218 coal blocks allotted since 1993, of which, [redacted] from which, the company had planned to source 47% of the fuel requirement, is also cancelled. In view of this, the project company is exploring other options for sourcing fuel including tapering/ long term linkage or imported coal. [redacted] is also planning to participate in auction/ reallocation of cancelled coal blocks for the balance portion, however it is yet to participate in any of the biddings that have happened. The Company is contemplating to get long term linkage in lieu of coal block in case it is not successful in bidding. Further, as a fall back option, the company had also held discussions with imported coal suppliers and has entered into a MOU with [redacted] on 02.01.2014 for supply of 2.0 MTPA of imported coal having calorific value of 4300-4900 Kcal/kg. The company shall source 53% of its fuel requirement from linkage coal through FSA with SECL which has been executed. The balance fuel (alternate fuel) is to be utilized for Unit II of the project for which, COD is expected in Jan 2016 as per the current progress of project implementation. In view of the uncertainty on the sources of coal after the cancellation of coal mine and time required for making alternate arrangements, the extension is being sought. Financial Implication on PFS: None
Borrower shall acquire and create mortgage on balance land till 31[st] Dec'13. (earlier timeline was till April 30, 2015)	Timeline be extended till 31[st] Dec 2015	The total requirement of land for the main plant area is 979.86 acres, out of which 927.275 acres has been acquired/ mortgaged According to the latest LE report, the balance land is required for Ash pond, MGR and Raw Water reservoir. As the proposed facility over the balance land is not critical at this stage, the company's request to give timeline extension uptil 31[st] Dec 2015 may be considered. Financial Implication on PFS: Nil
The Borrower shall obtain right of way and acquire land with	Timeline to be extended till 31[st] Dec 2015	The company proposes to develop the external railway siding from Kharsia station to project site of ~14 kms in joint venture with M/[redacted] Land totaling 174.07 acres

<table>
<tr><th>Existing Condition</th><th>Modified Condition</th><th>Rational for amendment</th></tr>
<tr><td>regard to Common railway sliding and associated facilities till 31st Mar'14.
(earlier timeline was till April 30, 2015)</td><td></td><td>need to be acquired for construction of railway siding. Land Licensing Agreement for 3.45 acres has been executed with South East Central Railway (SECR) - Bilaspur on March 10, 2014. The break-up of the land to be acquired for the main plant area is as under:
<table>
<tr><th>Type of land</th><th>Balance land to be acquired</th></tr>
<tr><td>Private Land</td><td>156.80 Acres</td></tr>
<tr><td>Government Land</td><td>5.09 Acres</td></tr>
<tr><td>Revenue Forest Land</td><td>12.13 Acres</td></tr>
<tr><td>Total</td><td>174.02 Acres</td></tr>
</table>
Construction is expected to be completed by 31st Dec'15. As the COD for Unit I and Unit II is expected in October 2015 and January 2016 respectively, the company is proposing to transport coal by road during the interim operations period, until the railway siding is completed. The Company has received permission from MoEF to transport coal from Kharsia to project site for a period of 3 years. The company had appointed Aarvee Associates to do a feasibility study of the road logistics for transportation of coal by road. Based on the review of the report prepared by Aarvee Associates, the LIE is of the view that transport route and scheme proposed by the project company for road transportation is feasible.

Financial Implication on PFS: Nil</td></tr>
<tr><td>Borrower's undertaking:

Completion of transmission lines from the Project Site to the nearest pooling station near Kotra within six (6) months before Project COD or Scheduled COD, whichever is earlier.
(Six (6) months before Project COD or Scheduled COD, whichever is earlier)
(earlier timeline was till 31st March, 2015)</td><td>Timeline to be extended till 30th June, 2015</td><td>The transmission line has been delayed on account of modification in the network from a double circuit line to a multi-circuit line and further modifications on sharing of the network as advised by [redacted] Now there are two transmission lines from the project site to the [redacted] sub-station, one Double Circuit Transmission Line of 19.215 kms and one Multi Circuit Transmission Line of 5.5 km. The tower foundations and erection of all 56 locations for Double Circuit Transmission Line has been completed.

For Multi Circuit Transmission Line, foundation work completed at 17/19 locations (17 with M/s [redacted] and 2 with M/s [redacted]nd erection works of 10/19 towers is completed.

RoW has been obtained for the entire line. Construction is expected to be completed by 30th June'15.

The scheduled CoD of the project was 1st July'14 as per the CLA. Since Unit I of the project is now expected to be commissioned by Oct'15, therefore, extension is sought.

Financial Implication on PFS: None</td></tr>
<tr><td>Financial</td><td>Financial</td><td>Due to increase in the project cost and additional debt, debt</td></tr>
</table>

Existing Condition	Modified Condition	Rational for amendment
Covenants • DSCR of 1.25	Covenants • DSCR of 1.10 (FY17-FY 26), no deviation permitted; 1.70 (FY27-FY34)	service obligations of the project are expected to increase. In view of the above, Borrower has requested Lenders to consider modifying the financial covenants. Financial Implication on PFS: Nil

SBI has given NOC for additional debt funding and other request of Borrower for modification in terms and conditions as stated above. Further SBI has also sanctioned Rs 600 crores to meet the cost overrun for the implementation of Project.

Keeping in view that the Lead FI has approved the proposal, PFS may consider the above modifications [illegible] and in addition may also approve the following:

a) To consider approval for conversion of retention money aggregating to Rs. 60 Crores payable to ABIR Infrastructure (BOP and Civil Construction contractor) and upto USD 30 million (~Rs. 180 Crores) to Dong fang Electric Corporation Limited (BTG Contractor), into Equity Share Capital of the Company.

As per the policy of PFS, MD or Whole Time Directors are authorized to approve amendment in Terms and Condition of sanction, which are inline with the consortium or Lead Bank.

Submitted for kind perusal and approval please.

[redacted] AVP

[redacted] AVP

EVP (~~VSB~~) [illegible] 30/3

Dir (AH) [illegible] 30/3

MD

– As suggested above

– Regarding (x) the retention money, when converted into equity – then the equity should also be subject to similar terms – (means that co. can forfeit the equity, if terms not met exactly the way retention money can be forfeited)

30/3

PTC India Financial Services Ltd.

Note for Approval

ile No. PFS/ ACPL/ DA0601001/I

January 13, 2016

ubject: Loan No. DA0601001 – M/s [redacted] for setting up of 2x600 1W coal based power project at Singhitarai Village, Janjgir-Champa district, Chhattisgarh: Iodification in certain Terms and Conditions of loan regarding

Background

/s [redacted]) was sanctioned a term loan of Rs. 200 crores by PFS in Mar 011. [redacted] is the Lead Bank. PFS has disbursed Rs 182 cr as on date towards long term debt and there is erdue nil. However company is not regular in paying dues.

s on date out of Rs 4650 cr sanctioned long term debt, Rs 4632 cr has been disbursed by the consortium nders. As the company had been facing issues in raising equity from its promoters, Lenders has sanctioned b-debt of Rs 657 cr to Borrower which shall be treated as equity till equity infusion takes place. Out of the me, Rs 500 cr sub-debt is sanctioned by [redacted] Rs 115 cr by [redacted] d Rs 42 cr by [redacted] T. The b-debt facility is carved out of the sanctioned long term debt portion by respective lenders. Further, mpany is in the process of conversion of retention money o [redacted] of upto USD 30 Million into uity share capital of the company. The [redacted] oard has already approved the company proposal and mpany has initiated the compliance mandated by RBI guidelines for the issuance of shares to DEC.

Project Status

e power plant has achieved overall progress of 88% as on 15th Nov'15. There is a delay of around 1.5 year visaged in the project primarily due to non-availability of BTG equipment in time, thereby delaying the sociated civil and infrastructure works as well and delay in resource mobilization by promoters. As per the d Bank, the revised SCOD for 1st Unit of the project is now expected by Sept'16 and 2nd unit by March'17 th overall delay of 24 months from SCOD.

[redacted] has executed PPA with Nepal Electricity Authority (NEA) (through PTC) for 150 MW and with hattisgarh (CSP Tradeco) for about 450 MW. [redacted] has signed Fuel Supply Agreements (FSA) for one unit the project with SECL on 27.02.2015. Company is contemplating to get long term linkage for Unit 2, wever presently the same is considered to meet from e auction/ imported coal/ other sources.

Proposal

CLA

e time line for compliance of certain terms and conditions of project has been expired. Accordingly owing amendment in the terms and condition are proposed. (Borrower request placed at 'A').

isting Condition	Modified Condition	Rational for amendment
laxation of DE Ratio of upto 3:1 as against the stipulated DE io of 3:1 rlier timeline was till 30th Sept 15)	Timeline to be extended till 31st March, 2016	As the company is facing issues in raising equity from its promoters, Lenders has sanctioned sub-debt of Rs 657 cr to Borrower which shall be treated as equity till equity infusion takes place. The above sanction of sub debt facility by lenders is in line with decision taken under Corrective Action Plan considered in Joint Lenders Forum (JLF) meeting. Financial Implication on PFS: None
payment of Sub Debt of Rs 400 res availed rlier timeline was till 30th Sept 15)	Timeline to be extended till 31st March, 2016	

Existing Condition	Modified Condition	Rational for amendment
Completion of transmission lines from the Project Site to the nearest pooling station. (earlier timeline was till 31st December, 2015)	Timeline to be extended till 31st March, 2016	The transmission line has been delayed on acco of modification in the network from a dou circuit line to a multi-circuit line and furt modifications on sharing of the network advised by [redacted]. As per the presents sta foundation work and tower erection work completed for entire Double Circuit Transmiss Line of 19.215 kms and stringing work is advance stage, which is expected be completed 31st March 2016. For Multi Circuit Transmission Line, construc work is completed and ready for charge. Since transmission line work is near completion and Unit I of the project is n expected to be commissioned by September therefore, time line extension may be acceded <u>Financial Implication</u> on PFS: None
Completion of balance land acquisition for main plant area and create mortgage on the same. (earlier timeline was till 31st December, 2015)	Timeline to be extended till 30th September 2016	As per the Loan agreement Company w required to acquire and create mortgage of acre of Land (Pvt Land-919 acre, Govt land acre, Forest land-39 acre). Company has acqui the above pvt land and created security in fav of lender. Company has also acquired Govt la and Forest land, and security over Govt land (acre) is in progress. Mortgage over Forest lan excluded by lenders. In addition to that company is in process acquiring about 250 acres of land for Ash po MGR and green belt. Out the same about 56 ca of land has been acquired and acquisition balance land is in progress. As the proposed facility over the balance land not critical at this stage, the company's request timeline extension may be considered. <u>Financial Implication</u> on PFS: Nil, as comp has complied with terms and conditions stipula in Loan agreement and present timeline is additional land.
Obtain right of way and acquire land with regard to Common railway siding and associated facilities (earlier timeline was till 31st December, 2015)	Timeline to be extended till 30th September 2016	The company proposes to develop the exten railway siding from Kharsia station to project s of ~14 kms in joint venture with M/s [redacted] Land totaling 174 acres (Pvt la 157 acres, Govt land 5 acres, Forest land 12 acr need to be acquired for construction of railw siding. Land Licensing Agreement for 3.45 ac has been executed with South East Cen Railway (SECR) - Bilaspur. Construction expected to be completed by 30th June 2017 the COD for Unit I and Unit II is expected in S 2016 and March 2017 respectively, the comp is proposing to transport coal by road during interim operations period, until the railway sid is completed. Company has received permiss from MoEF to transport coal from Kharsia
Completion of railway siding from Kharsia Railway station to Project side. (earlier timeline was till 30th April 2016)	Timeline to be extended till 30th September 2017	

xisting Condition	Modified Condition	Rational for amendment
		project size for a period of 3 years. Financial Implication on PFS: None
To execute back to back power sale agreement on long term basis so as to ensure avg DSCR is not less than 1.10 (earlier timeline was till 31st December, 2015)	Timeline to be extended till 30th September, 2016	[redacted] has executed PPA with Nepal Electricity Authority (NEA) (through PTC) for 150 MW and with Chhattisgarh (CSP Tradeco) for about 450 MW. About 180 MW is proposed to be sold on merchant/ short term basis. Balance about 370 MW would be sold on long term basis to state discom for which company would be participating in long term bids. Since the project is now expected to be commissioned by March'17 and PPA is tied up for Unit 1, therefore, execution of entire PPA for balance capacity on long term basis is not critical at this stage, therefore, the extension is being sought. Financial Implication on PFS: None
Tieing up alternate arrangement for coal supply for Project within the commissioning schedule of Unit 2 of the Project. (earlier timeline was till 30th November, 2015)	Timeline to be extended till 30th September, 2016	Unit 1 is based on long term linkage for which Company has executed FSA with SECL. The Company is exploring options for sourcing fuel for Unit 2 including tapering/ long term linkage or imported coal. Further, as a fall back option, the company had has entered into a agreement with [redacted] for supply of 2.0 MTPA of imported coal having calorific value of 4300-4900 Kcal/kg. Since the project is now expected to be commissioned by March'17 and FSA for Unit 1 is tied up 1, therefore, alternate arrangement for Unit 2 is not critical at this stage, therefore, the extension is being sought. Financial Implication on PFS: None

ad FI, SBI vide letter dated 23rd December 2015 has approved the extension in time line as per the above entioned. (Placed at 'B')

eping in view that the amendment proposed in the terms and condition as above are in line with Lead FI nction and terms and conditions for sub debt, PFS may accede to the Borrower's request.

per the Operational Policy of PFS, MD & CEO or Whole Time Director(s) jointly authorized to approve modification in terms & condition of sanction, which are in line with Lead FI/ consortium, which is the se in the instant proposal.

bmitted for kind perusal and approval please.

[redacted]
VP

P (VSB)

)

Exhibit 8E - Extract of Delegation of Power

Annexure I

Policy for authorization of management for modifications of terms and conditions of loan sanction

1. Categorization of Loans

The loans sanctioned by PFS have been categorized into the following categories, which are keeping in view the control exercised by PFS over the loan account:-

- **Category A Loans – Loans where PFS is the part of a consortium:** In such loan accounts , the terms and conditions of loan sanction are to be aligned with that of the Consortium/ Lead FI
- **Category B Loans - Loans where PFS is the Sole Lender or Lead FI:** In such loan accounts, PFS is in a principal position to influence the modification in terms and conditions.

2. Framework for modification in Terms and Conditions of Loan Sanction

Keeping in view the above categories, following is the framework for authorization of modification in T&Cs

2.1. Modification in terms and conditions of loan sanction that require approval of Board or CCD

Modification in the following Terms and Conditions of Loan Sanction shall be put up for approval of the competent authority i.e. BoD or CCD, as the case may be

2.1.1. Category A projects, where PFS is a part of a consortium:

a) Any addition, deletion or amendment of the condition not stipulated/agreed by the Consortium or Lead FI, except extension in timelines for compliance
b) Any Change in management control or change in promoter, below the agreed ratio in the facility documents
c) Enhancement in loan amount
d) Change in location i.e. change in state
e) Change in fuel mix from domestic coal leading to more than 50% of imported coal or vice versa (in case of thermal power projects)
f) Substantial change in technology adversely impacting the viability of the project (shall not cover change in technology in solar PV projects from polycrystalline to thin-film and vice versa)
g) Increase in repayment period

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h) Dilution in debt: equity ratio, which is permanent in nature. Further, in case of permanent change in debt: equity ratio is in favour of the Lenders, the same is not required to be put up to the Board or CCD for approval, as the case may be

2.1.2. Category B projects, where PFS is the Sole Lender or Lead FI :-

a) All of the above terms and conditions i.e. from 2.1.1(b) to 2.1.1(h)

b) Any amendment in the main security package / structure /key collaterals, except addition in collaterals and extension in timelines for compliance

c) Any material modification in condition related to change in land use

2.2. Except the Terms and Conditions of sanction mentioned above, MD or Whole Time Director (s) is authorized to amend all other terms and conditions of loan sanction.

3. Cases related to restructuring

All cases related to restructuring of loan sanction, irrespective of category A or B shall be governed by the norms stipulated by RBI and shall be put up for approval to the appropriate competent authority, as the case may be

4. Compliance with RBI Norms

In case of conflict with RBI Norms, the norms stipulated by RBI shall supersede the internal framework of PFS regarding authorization of modification in Terms and Conditions

Exhibit 8F- Extract of Quarterly Information to Board

II Name of Company [redacted] Lead FI: SBI

i	Borrower's undertaking: The Borrower shall complete the necessary transmission ... within [illegible] months before Project COD of [illegible]	Timeline extended till 31st Dec, 2014	The transmission line has been delayed on account of modification in the network from a double circuit line to a multi circuit line and further modifications on routing of the network as advised by [redacted]. The scheduled COD of the project was 1st July'14 as per the CLA. Since the project is now expected to be commissioned by July'15, therefore, extension was given. **Financial Implication**: Nil
	[illegible] Railway link for the movement of coal from coal block to the Project Site within [illegible] months before Scheduled COD of Project COD	December 2014	[redacted] in-principle approval for rail connectivity has been received for [illegible] from Dharamjaygarh to power plant. [illegible] request for including Dharamjaygarh, Kharsia in East Corridor, has been received and accordingly [illegible] will be [illegible] the same. [illegible] will build the railway line from Dharamjaygarh to Fatehpur East coal block. **Financial Implication**: Nil
iii	The Borrower shall execute a firm FSA, on a long term basis, with SECL for supply of 2.75 MTPA of F Grade coal [illegible]	Timeline extended till 31st May, 2015	The Standing Linkage Committee, in its Meeting held on December 28, 2013, had approved the change in name of the Company i.e. status change from Private Limited Company to Public Limited Company and confirmed that all the milestones thereunder have been achieved. The Company is following up with South Eastern Coalfields Ltd for execution of FSA by March 2015. Since the project is now expected to be commissioned by July'15, therefore, extension was given. **Financial Implication**: Nil
iv	Company needs to execute PPA for sale of power with agreement for the entire output so as to ensure that the average price [illegible] is not less than [illegible]	Timeline extended till July, 2015	The Company has bid for [illegible] MW power sale [illegible] Rajasthan [illegible] has been submitted. Further, they are also in process of tying up 100 MW with Government of Kerala through PTC. Since the project is now expected to be commissioned by July'15, therefore, the extension was given. **Financial Implication**: Nil
4	The Borrower shall make alternate arrangements for coal supply if coal block is not ready before 31st December 2013	Timeline extended till 31st December 2014	Status of [redacted] approval for Mining Lease has been obtained and been forwarding to MoC for further approval. Public hearing (for Environmental Clearance) was successfully held on January 16, 2014. Final approval of Stage I FC has been accorded. The Ministry of coal through office memorandum dated 10th February 2014 has [illegible] against Fatehpur East coal block. In view of delay in development of the coal block, the Company has applied for tapering coal linkage for Unit II of the project till which coal from coal block is to be used and the final outcome on the same is awaited. Further, the Company informed that it has also entered into MOUs for importing coal to meet the fuel requirements of the second unit of the project. [illegible] which the company has informed that it has Page 24 of 28 **Financial Implication**: Nil
5	Maintain debt-equity ratio of 75:25	o Deferral of Rs 400 cr by the consortium lenders out of the undrawn portion by relaxing the debt equity ratio of 75:25 for a period of 6 months subject to the following additional comforts to be provided to the lenders: • Corporate Guarantee of Promoter company (AENPL) Increase in pledge of shares of ACPL from current stipulation of 51% to atleast 74%	The Company had informed that there shall be some delay in bringing more equity in the project. In respect of the same, it was informed that the Promoters have executed a term sheet with an investor from Middle East. The Due Diligence process in relation to proposed investments by the investor has been completed and documentation process is underway. In view of the same, the Company has requested that the lenders may release undrawn portion of term loans of up to Rs 400 Crores by temporarily relaxing the Debt Equity Ratio until the infusion of equity by providing the following: • Corporate Guarantee of Promoter company [redacted] • Increase in pledge of shares of ACPL from current stipulation of 51% to atleast 74% **Financial Implication**: Nil

Exhibit 8G - PFS's share towards the cost overrun

S.No.	Name of the Bank / Financial Institution	Original Term Loan	COR Sanctioned	Total Exposure	Percentage Exposure	Share (Rs. in Crores)
1	[redacted]	1650.00	600.00	2250.00	35.64%	19.60
2	[redacted]	350.00	126.60	476.60	7.55%	4.15
3	[redacted]	300.00	106.50	408.56	6.47%	3.50
4	[redacted]	300.00	108.00	408.00	6.46%	3.55
5	[redacted]	200.00	72.34	272.34	4.31%	2.37
6	[redacted]	200.00	72.34	272.34	4.31%	2.37
7	[redacted]	200.00	72.34	272.34	4.31%	2.37
8	[redacted]	200.00	72.34	272.34	4.31%	2.37
9	[redacted]	200.00	72.34	272.34	4.31%	2.37
10	[redacted]	200.00	51.00	251.00	3.98%	2.19
11	[redacted]	150.00	54.26	204.26	3.24%	1.78
12	[redacted]	150.00	54.26	204.26	3.24%	1.78
13	[redacted]	100.00	36.17	136.17	2.16%	1.19
14	[redacted]	100.00	36.17	136.17	2.16%	1.19
15	[redacted]	100.00	36.17	136.17	2.16%	1.19
16	[redacted]	100.00	36.17	136.17	2.16%	1.19
17	[redacted]	[illegible]	36.17	136.17	2.16%	1.19
18	[redacted]	50.00	18.09	68.09	1.08%	0.59
	TOTAL	4650.00	[illegible]	6313.26	100.00%	55.00

Exhibit 8H - Lead bank email dated Oct 2016

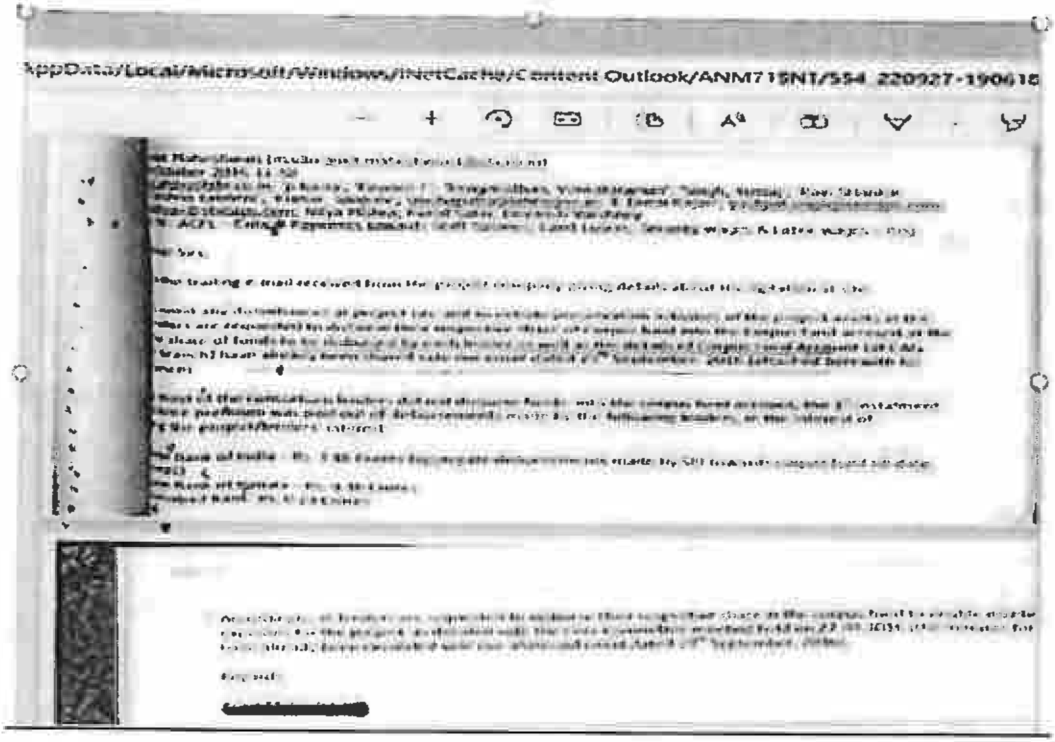
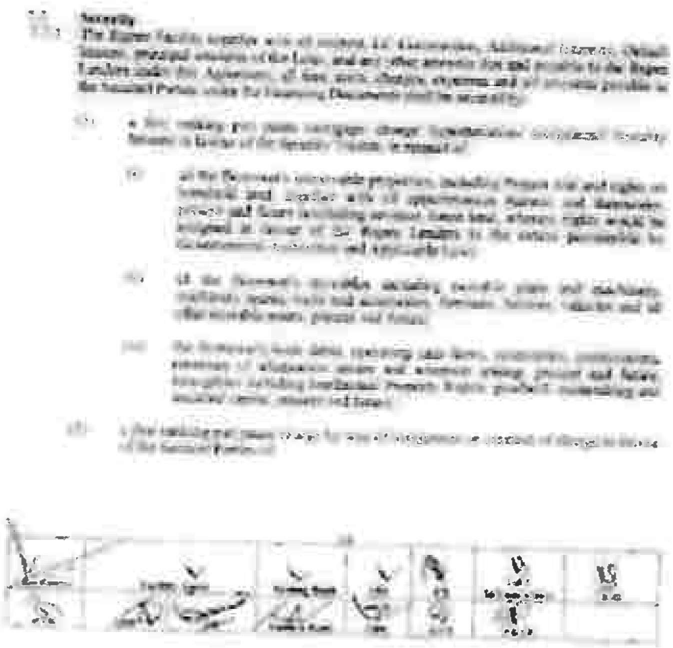


Exhibit 8I- Extract of loan agreement



(i) all the rights, title, interest, benefits, claims and demands whatsoever of the Borrower in the Project Documents and Contract(s), duly acknowledged and consented to by the relevant counter parties to such Project Documents, all as amended, varied or supplemented from time to time;

(ii) all the rights, title, interest, benefits, claims and demands whatsoever of the Borrower in the Clearances in respect of the Project;

(iii) all the rights, title, interest, benefits, claims and demands whatsoever of the Borrower in any letter of credit, guarantee including contractor guarantees, liquidated damages, performance bond provided by any party to the Borrower under the Project Documents and Contract(s); and

(iv) all Insurance Contracts and insurance proceeds in respect of the Project;

(3) a first ranking pari passu charge by way of assignment/ mortgage/ creation of Security Interest in favour of the Security Trustee, in respect of all letter(s) of credit (as required under the Project Documents and Contract(s)), the Retention Accounts, Debt Service Reserve Account, Debt Service Reserve Sub-Account and other reserves and any other bank accounts of the Borrower, wherever maintained, and

(4) a first ranking pari passu pledge in respect of the Shares held by the Sponsors in the Borrower representing seventy four per cent (74%) of the paid up share capital of the Borrower.

7.7.2 Each of the Security Documents and the Security created there under in favour of the Security Trustee is for the benefit of the Rupee Lenders and shall be in full force and effect.

7.7.3 The Borrower acknowledges and agrees that the Rupee Lenders shall have the right to modify the Security structure in their absolute discretion, prior to the execution of all the Financing Documents and Security Documents, and during the currency of the Loan.

7.7.4 The Borrower undertakes to create and perfect the mortgage over the immovable property in accordance with the timelines stipulated in this Agreement. The Borrower shall arrange filing of Form CHG-1 with the Registrar of Companies within 30 (thirty) days of execution of necessary Security Documents.

7.7.5 The Borrower shall obtain written consent of the relevant parties for execution and performance of the Security Documents, particularly in relation to the Security being created on the PPAs and all other related Project Documents and the letter(s) of credit, if any, under the PPAs.

7.7.6 The Borrower undertakes that it shall establish satisfactory payment mechanisms including the letter(s) of credit under the PPAs at least one (1) month prior to the Unit 1 COD and Project COD as per the terms of the PPAs.

7.7.7 Within thirty (30) days of the acquisition of any new property by the Borrower, the Borrower shall take all necessary actions including execution of any deeds, instruments, agreements, etc. required to create a valid, binding and subsisting first ranking Security Interest over such future acquired property, in favour of the Security Trustee for the benefit of the Rupee

Exhibit 8J - Extract of the undertakings

File no. PFS/ACPL/DA060/002/01

21st Sep 2016

Mr. [redacted]
Vice President (F&A)
[redacted] and
1-7-1-24, B Block,
Ground Floor, Rotunda Towers,
Begumpet, Hyderabad - 500 016

Subject: Loan No. DA060/002: M/s [redacted]: Enhancement of existing Long Term Debt of Rs 200.00 Crores (Loan No. DA060/001) to Rs 251.00 Crores to meet cost overrun for 1200 MW (2x600 MW) Singhitarai Thermal Power Project in Janjgir, Champa district, Chhattisgarh: Additional T&C reg.

Ref: i) PFS sanction letter dated June 3, 2016
ii) Amended sanction letter dated Sep 21, 2016

Dear Sir,

This has reference to PFS sanction letter and amended sanction letter cited above for additional term loan for the subject mentioned project and further discussions held with you and your representatives from time to time.

In line with the discussions, we would like to intimate that following are the additional terms and conditions (exclusive to PFS) to PFS sanction letter dated June 3, 2016 and amended sanction letter dated Sep 21, 2016.

Particulars	Additional Conditions
Security	Corporate Guarantee of [redacted]
Other Conditions	i. For majority of payment to vendors/ contractors, the concurrence from PFS / Lender shall be required. In case of related party transactions, concurrence from PFS / Lender shall be required in all the payment. ii. In case after 3 years from COD, the promoter sells their stake in the project with a premium, PFS/ lenders shall have right to charge additional interest on the senior debt for cost over facility at the rate to the extent of 2% pa which to be paid from premium received by Promoter.

All other terms and conditions including securities of the loan will be as per the earlier Sanction Letter.

Thanking You

Yours faithfully,

For and behalf of PTC India Financial Services Ltd

[redacted]
Vice President

[redacted]
Manager

PTC India Financial Services Ltd. (CIN: L65999DL2006PLC153373)
(A subsidiary of PTC India Limited)

PFS Index of Exhibits for [redacted] with all the relevant supporting:

Sr.No.	Particulars
1.	Exhibit 9A - Extract of Board Meeting Dated 22 May 20
2.	Exhibit 9B – Extract of budgeted est cost in the initial disb note
3.	Exhibit 9C- Email correspondence showing LE reponse for IDC April 19
4.	Exhibit 9D- Email correspondence showing LE response for IDC July 19
5.	Exhibit 9E – CA certificate showing IDC incurred till Feb'19 and envisaged amount
6.	Exhibit 9F – CA certificate showing IDC incurred till May'19 and envisaged amount
7.	Exhibit 9G - Internal approval was obtained from MD CEO of the company
8.	Exhibit 9H-Extract of RMC meeting-
9.	Exhibit 9I-Extract of Audit Committee meeting-
10.	Exhibit 9J - Extract of the agenda of Board meeting
11.	Exhibit 9K - Extract of LE Letter dated 26 Apr 2019
12.	Exhibit 9L- Extract of disbursement advice dated 24 Nov 2017
13.	Exhibit 9M - Extract of TSA agreement

Exhibits submitted by PFS in support of the response prepared for [redacted]

Exhibit 9A – Extract of Board Meeting Dated 22 May 20 ¬

Item no. 90.24 Proposal for sanction of term loan of Rs 306 crores to [redacted]

The proposal for sanction of term loan of Rs 306 crores [redacted] for establishment of power transmission lines from Koteshwar pooling station to Rishikesh, LILO of single circuit of 400 kV D/c from Sikar to Neemrana line at Babai, Rajasthan and 400 kV D/c line from Babai to Bhiwani, Haryana, was explained to the Board as per details mentioned in the agenda note.

The Board was informed that [redacted] is establishing power transmission lines from Koteshwar (Uttarakhand) pooling Station to Rishikesh (Uttarakhand), LILO of one Ckt. Of 400 kV D/c from Sikar (Rajasthan) to Neemrana (Rajasthan) line at Babai (Rajasthan) and 400 kV D/c line from Babai (Rajasthan) to Bhiwani (Haryana) as part of the "Independent Transmission Projects" under scheme of Ministry of Power, Govt. of India. The Board was also informed that the project is being implemented pursuant to competitive bidding initiated [redacted] on behalf of Ministry of Power, Govt. of India. [redacted] being the lowest bidder in the competitive tariff based bidding has received a LOI from [redacted] and EIPL has acquired 100% equity shares of Company by entering into a Share Purchase Agreement with [redacted] is therefore wholly owned subsidiary of [redacted] which is engaged in development / construction of infrastructure projects with interest in road, water management and solid waste management. The [redacted] is promoted by Mr [redacted] and family.

It was also informed to the Board that the total project cost is estimated to be around Rs.408 crores and is proposed to be financed with a debt : sub debt: equity ratio of 70:5:25 comprising of term debt facility of Rs. 286 crores (Rupees Two Hundred and Eighty Six Crores Only), sub-debt facility comprising term debt of Rs. 20.00 crores (Rupees Twenty Crores Only) and equity/promoter contribution of Rs. 102 crores. The entire debt requirement of Rs 306 crores is proposed to be underwritten by PFS with an option of downselling upto 50% of the loan amount. The minimum DSCR is 1.12 and average DSCR is 1.16.

The proposal is in conformance to operating policy of PFS and interest rate policy except rate of interest for term debt being charged. The overall risk of project has been assessed as Moderate. The Board was also informed that the overall risk assessment of the project is moderate.

The Board considered the various aspects related to the proposal including the risk report and after detailed discussion passed the following resolution:-

"Resolved that term debt of Rs. 286.00 crores (Rupees Two Hundred and Eighty Six Crores only) and Sub Debt of Rs 20.00 crore (Rupees Twenty Crores only) to [redacted] for establishing Power Transmission Lines from Koteshwar (Uttarakhand) pooling Station to Rishikesh (Uttarakhand), LILO of one Ckt. Of 400 kV D/c from Sikar (Rajasthan) to Neemrana (Rajasthan) line at Babai (Rajasthan) and 400 kV D/c line from Babai (Rajasthan) to Bhiwani (Haryana) on the terms and conditions as mentioned in the agenda note and in relaxation of PFS interest rate policy, be and is hereby approved".

Exhibit 9B – Extract of budgeted est cost in the initial disb note

5. Project Cost & Means of Finance:

The capital cost for the project has been considered as Rs 408.00 Cr. The cost break-up of the project is given below:

S.No.	Particulars	Cost (Rs Cr)	% of total cost
1	SPV Purchase fee	5.61	1.38%
2	**Total EPC Cost *(Including Land)***	**327.61**	**80.30%**
4	Interest During Construction	42.50	10.42%
5	Preliminary and Preoperative	9.39	2.39%
6	Financing Cost	6.12	1.50%
7	Contingency Expenses	16.40	4.02%
	Total Project Cost	**408.00**	**100.00%**

Exhibit 9C- Email correspondence showing LE reponse for IDC April 19

P.011646 PTC India/ [redacted] etter regarding sixth drawdown

Dear Sir,

This is as per our Letter No. TCPL/P.011645/04/04/01780 dated 26th April 2019 sent thru e-mail dated 26th April 2019.
Further in continuation to this Letter, Lenders may review the disbursement corresponding to the IDC portion at their own discretion.

Regards,
[redacted]

From: [redacted]
Sent: 29 April 2019 16:21
To: [redacted]
Cc: [redacted]
Subject: RE: P.011645/PTC India/ NRSS XXXVI Transmission Limited: LE's Letter regarding sixth drawdown

Dear [redacted]

Please also give your opinion on the IDC portion.
Further, please note that as on today, PFS fund based disbursement is around Rs 137.17 Crore.

Exhibit 9D- Email correspondence showing LE reponse for IDC July 19

Exhibit 9E – CA certificate showing IDC incurred till Feb'19 and envisaged amount

Certificate

Exhibit 9F – CA certificate showing IDC incurred till May'19 and envisaged amount

CA

GUPTA ASHOK KUMAR & CO

Chartered Accountants
Date: [illegible]

[illegible]

Certificate

[illegible] Gupta Ashok Kumar & Co., Chartered Accountants [illegible] [redacted] [illegible] New Delhi [illegible] we hereby certify [illegible]

Total expenditure incurred upto [illegible] | Rs. [illegible]

Sr. No.	Particulars	Envisaged amount	[illegible]
1	[illegible]	[illegible]	[illegible]
2	[illegible]	[illegible]	[illegible]
3	[illegible]	[illegible]	[illegible]
4	[illegible]	[illegible]	
5	[illegible]		[illegible]
	Total Hard Cost [illegible]	555.5	[illegible]
	[illegible]	[illegible]	[illegible]
	[illegible]	42.5	[illegible]
	Total Cost	[illegible]	[illegible]

[illegible]

[illegible]

Exhibit 9G - Internal approval was obtained from MD CEO of the company

PTC India Financial Services Limited

Dated: [illegible]

Sub: [illegible] [redacted]

PFS has sanctioned a Term Loan of Rs [illegible] Crore to [redacted] of which Rs. [illegible] Crore is disbursed and current outstanding is Rs [illegible] Crore and amount [illegible] Rs [illegible] payable on Dec [illegible], 2019.

The captioned project [illegible] 2 elements ([illegible]) of which Element 1 has been commissioned. Element 2 is currently under construction and work on Element [illegible] is at standstill due to [illegible] of clearances and approvals.

The borrower has informed that currently it is facing liquidity constraints and vide letter dated Nov [illegible], 2019 ([illegible]) informed that it is scouting for new buyers for the project and is also trying to sell group assets for infusion of equity in the project. The borrower in the meantime has requested PFS for disbursement of Rs [illegible] Crore which shall be utilized towards payment of [illegible] dues of PFS.

A meeting was called to discuss the way forward in this matter. Officials from PFS Disbursement unit and PFS Monitoring unit were present in the meeting. The matter was discussed and in view of [illegible] of the project it was decided that the instant request of the borrower can be considered. However, no disbursement shall be made to the borrower for project expenses until there is clarity on fund infusion [illegible].

Submitted for kind consideration and approval please.

[redacted] (AVP) [redacted] (Manager) [redacted] (Manager)

EVP ([illegible])

Dir (O)

MD & CEO

Exhibit 9H-Extract of RMC meeting-

PTC INDIA FINANCIAL SERVICES LTD.

NEW DELHI

MEMORANDUM FOR THE COMMITTEE MEETING

Agenda Item No. 35.1

Sub: Confirmation of the minutes of 34th meeting of Risk Management Committee

A copy of the minutes of 34th meeting of Risk Management Committee held on 23rd January, 2020 is enclosed. The Committee may kindly confirm the same.

Sd/-

[redacted]

(Company Secretary)

The Committee was also informed that PFS's has received request for allowing moratorium I and II from [redacted]. The Committee enquired about the authority for allowing the moratorium. The Committee was informed that as per decision of the Board, MD & CEO may allow the moratorium on cases to cases basis as per policy approved by the Board and the list of the borrower to whom moratorium is allowed shall be placed to the Board for information. The Committee was also informed that instant cases the borrower had not earlier requested for moratorium I and now it has requested for allowing the moratorium for both moratoriums I and II. The Committee was of the view that the Risk Committee is not having any power to allow the moratorium or not. The Committee also suggested that necessary clarification may be obtained from RBI for allowing the moratorium in the instant case and this matter may be placed before the the Board for a decision.

The Committee discussed all the cases mentioned in the early warning signals as per details mentioned in the agenda and after discussions, noted the same.

8. Item no. 38.7 Status of NPA Accounts

The Committee was informed about the status of NPA accounts as per details mentioned in the agenda note. The Committee was further informed that post 30th June, 2020 there have not much developments in the cases except for [redacted], [redacted] and [redacted] which was explained to the Committee as per details mentioned in the agenda note. It was also noted that [redacted] has also now to be treated as an NPA and this has already been recorded in the last Audit Committee Meeting.

Exhibit 91-Extract of Audit Committee meeting-

Minutes of the 63rd meeting of the Audit Committee of the Board (ACB) of PTC India Financial Services Limited (PFS) held on Friday, 12th June, 2020 at 03: 00 p.m. Board Room, PTC India Financial Services Limited, 7th Floor, Telephone Exchange Building, 8, Bhikaji Cama Place, New Delhi – 110066.

Present:

Mr. [redacted]	: Chairman of the Committee, attended the meeting through video- conferencing from his residence at Mumbai
Mrs. [redacted]	: Members of the Committee, attended the meeting through video- conferencing from her residence at New Delhi
Dr. [redacted]	: Members of the Committee, attended the meeting through video- conferencing from his residence at Varansi
Mr. [redacted]	: Members of the Committee, attended the meeting through video- conferencing from his office residence at New Delhi

Internal Auditors also pointed out that there is need to strengthen the process of monitoring mechanism w.r.t. LFA Audit. They also highlighted that the Company is required to strengthen additional controls around monitoring of EWS accounts. The Committee was further Informed that during review, it was noted that additional disbursements were processed in 3 out of 9 EWS accounts during the period Sep'19 to Mar'20 without specific mention of the EWS status for these accounts. However, company has followed the necessary procedures for making disbursements in these accounts as per disbursement policy. 3

The Committee was informed by the management that before disbursing any loan, disbursement team checks all the compliances related to pre-disbursement conditions. Further, monitoring team shares project status including any non-compliances or issues with project. Based on the above, disbursement team initiates the disbursal note which is first reviewed and approved by the Head of Disbursement unit and final approval is accorded by M4. It was also informed to the Committee that all EWS accounts are discussed in CDL committee which covers all the aspects of project including way forward. The Committee was further informed that there were separate approvals mentioning all the facts related to EWS status of the account which was taken in all these cases and the status of EWS accounts were also discussed in CDL committee. The Committee desired that there should be extra focus for all such accounts and proper documentation and justification should be recorded before further disbursements in all such accounts. 2

Exhibit 9J - Extract of the agenda of Board meeting

[illegible] Rs. 20 Crore [redacted]	Establishing Transmission System for "Northern Region System Strengthening Scheme - XXXVI" in the state of Rajasthan, Uttarakhand & Haryana

Land	50.54
- RoW Cost	23.21
- Forest Approval Charges	27.33

4. IDC and Financing Cost (Rs. 42.50 Cr)

The Interest during Construction (IDC) has been estimated as Rs. 42.50 Crore, by assuming an implementation period of 40 months from September 2016. The debt draw down schedule has been made with a provision for 25% of the equity requirement being brought upfront for each phase and the balance coming pro-rata with the [illegible]. For the calculation of IDC, an average interest rate of 10.50% p.a. payable monthly has been assumed over the construction period.

Construction schedule:

The Project implementation scheduled to be completed by November 30, 2019.

Activities	Kashipur – Rishikesh 400 KV D/C HTLS Line	Babai – Bhiwani 400 KV D/C	LILO of Sikar–Neemrana 400 KV D/C at Babai S/S	Total
Tower Foundations - Nos.	134	345	6	485
Tower Erection - Nos	134	345	6	485
Stringing - Kms	41.55	124	1.45	167.04
Bay extension Work	2 nos. of Bays at 400kV Rishikesh (PTCUL) S.S	2 Nos. of Bays at 400kV Babai (RRVPNL) Substation for Babai (RRVPNL)- Bhiwani (PG) 400 kV D/C line	2 Nos. of Bays at 400kV Babai (RRVPNL) Substation for LILO of one Ckt. Of 400 kV D/c Sikar (PG) – Neemrana (PG) line at Babai	6 nos

Disbursements to be capped at 75% of the debt facility till following is not achieved by the borrower:

- *ROW for foundations of all towers is in place (LIE confirmation to be obtained).*
- *Entire forest clearance is obtained (LIE confirmation to be obtained).*

5. Preliminary and Preoperative (Rs. 8.20 Cr)

Preliminary and Pre-operative expenses includes salary and consultancy expenses and other charges.

6. Financing Cost (Rs. 4.22 Cr)

Financing cost has been assumed at 1.50% of the project cost. Although the total fee being charged in the instant case is 0.93%, the Borrower has also accounted for the LIE, LLC and other development fees to be incurred during the construction phase.

7. Contingency Expenses (Rs. 16.40 Cr)

Exhibit 9K - Extract of LE Letter dated 26 Apr 2019

Date: 26 April 2019

YOUR REF: PO No. [illegible] Dated Oct [illegible]
OUR REF: [illegible]

KIND ATTN: M/ [redacted]

Writer: [redacted]
Direct tel: +91 124 [illegible] - Direct fax +91 124 [illegible]
e-mail: [illegible]
☐ Confidential ■ Restricted ☐ Internal ☐ Public

Subject: PTC India Financial Services Limited/ [redacted] Project comprising of LILO of one Circuit of 400 KV D/C Sikar (PGCIL) - Neemrana (PGCIL) Transmission Line at Babai (RRVPNL) and associated Bays (Element-1), 400 KV D/C Babai-Bhiwani Transmission Line and associated Bays at Babai (Element-2), 400 KV D/C Koteshwar-Rishikesh Transmission Line and associated Bays at Rishikesh (Element-3)- Sixth Drawdown for Rs. 7 Crores

Dear Sir/ Madam,

LE has received Disbursement Request Letter dated 24th April 2019, from the Project Company ([redacted]) seeking Disbursement of Rs 7 Crores (Rupees Seven Crores only) towards meeting the Project Expenses.

Based on the receipt of the above drawdown request from the Project Company, LE has the following observations:

- Debt approved by the LE vide previous Drawdown Certificate issued in October 2018 is Rs. 189.60 Crores which is in line with the estimated Cumulative Debt of Rs. 188 Crores till December 2018 as per the Construction Budget/Drawdown Schedule. However, the present drawdown request indicates the Project Company has drawn Rs. 197.31 Crores, up to 28.02.2019 as debt for which no approval was obtained from LE.

- As per the Construction Monitoring Report issued by the LE in February 2019, the progress of the project is not in line with the scheduled progress. Also, as per the data provided by the Project Company, the revised COD of the Element – 2 (Babai-Bhiwani Transmission Line) & Element – 3 (Rishikesh-Koteshwar Transmission Line) is as follows:

S.No.	Description	Original Scheduled COD	Revised COD (Planned by Project Company)
1	Element - 2	22nd June 2019	November 2019
2	Element - 3	22nd December 2019	March [illegible]

This indicates a significant delay in the Overall Project. Also, in case of Element-3, the Forest Clearance (Stage-1) has not yet been received. Additionally, the ROW issues pertaining to the Transmission Line in Element 3 are yet to be resolved.

- The latest CA certificate dated 28.03.2019 indicates that the Debt drawn till 28.02.2019 is Rs. 169.87 Crores. However, the notice of drawdown issued by Project Company dated 24.04.2019 indicates the debt value as Rs.197.31 Crores. Hence there is a discrepancy in the information provided by the Project Company.

- Expenditure till October 2018 was Rs. 231.74 Crores. Since then construction progress of Element - 2 and Element - 3 has been almost stagnant. Considering the above, the additional expenditure of Rs. 38.87 Crores (270.61 - 231.74) in LE's opinion is on higher side.

Additionally, the LE has the following observations on the Undertaking Letter dated 24.04.2019 issued by the Project Company:

a) Referring to point no. viii, the Project Company has mentioned no liabilities have been incurred. However as per CA Certificate dated 28th March 2019, it is observed that there is a Current liability of Rs. 28.02 Crores with the Project Company as on 28.02.2019.

b) Referring to point no. xv, the Project Company has mentioned that the physical progress and expenditure incurred are in line with project implementation schedule and construction budget. From LE point of view, the construction progress and corresponding expenditure of the project is not in line with the schedule. The Project Company has already provided the revised COD, which indicates a significant delay in the overall project.

c) Referring to point no. xvi, the Project Company has mentioned that no part of any drawdown will be utilized to pay preoperative expenses. However, it has been observed that in the "Notice of Drawdown" dated 24th April 2019 issued by the Project Company, it is mentioned that an amount of Rs. 0.5 Crores of the proposed drawdown will be utilized for preoperative expenses.

d) Referring to point no. xxi, the Project Company has ensured drawdown compliance with agreed construction budget. From LE point of view, the construction progress and corresponding expenditure of the project is not in line with the schedule.

As per the above review of the documents submitted by the Project Company in support of drawdown request, the LE does not approve any further disbursement by the Lender for this Project until sufficient progress is achieved and demonstrated by the Project Company to the satisfaction of Lenders and LE.

Name: [redacted]
Position: Project Manager

Exhibit 9L- Extract of disbursement advice dated 24 Nov 2017

	(i) The Borrower shall ensure that the EPC Contractor shall sub-contract packages awarded to reputed contractors to the satisfaction of the Lenders and shall be certified by LIE	commissioning) etc. and the same are in line with industry benchmarks. Borrower certificate is placed at Annexure E. LE via letter dated Nov 23, 2017 (Annexure C) has mentioned that the sub-contract packages awarded by the company till date are found to be satisfactory.
6.	19.6 Memorandum and Articles The Borrower shall have altered its Memorandum and Articles or taken necessary corporate and other actions as maybe required by the Lenders for the purposes of the Facility including for enhancement of the authorized share capital of the Borrower and appointment of nominee directors and the Borrower shall have provided an up-to-date certified true copies of the Memorandum and Articles to the Lenders' Agent, if required.	Complied PFS Legal via email dated Nov 23, 2017 (Annexure F) has mentioned that updated Copy of MOA & AOA has been provided by the Borrower. As per LLC DD report, no adverse comments are raised in the MoA/ AoA.
7.	19.7 Review by LIE and Lenders' Legal Counsel The LIE, appointed by the Lender(s) shall have vetted and examined the agreements/clearances and the Estimated Project Cost. The Borrower shall firm up the Project Cost along with the associated Financing Plan as per the recommendations of the LIE/Lenders' Agent and resolve all issues raised by LIE/ Lenders' Agent. The LIE shall have submitted due-diligence reports to the satisfaction of the Lenders.	Complied LE and LLC DD reports are placed at Annexure D and Annexure H respectively. PFS Legal via email dated 23.11.2017 (Annexure F) has been requested to clarify if there are any major legal issues in the LLC DD report which are pending for resolution. No issues were highlighted by legal as such.
8.	19.8 Clearances (a) Unless a different time period has been provided for under this Agreement, the	Complied LE in its certificate (Annexure C) has

	Borrower/developer/sub-contractor, Project Participants and/ or any other concerned party shall have obtained and delivered to the Lenders' Agent and each of the Lenders copies of all statutory and non-statutory Clearances required for implementation of the Project, as listed in Schedule VII to this Agreement and the same shall have been in full force and effect and the Borrower shall have fulfilled all the conditions precedent stipulated in such approvals and consents. The Lenders shall have received certified copies of each Clearance, together with a certificate from the Borrower certifying that all such Clearances have been obtained and are in full force and effect.	mentioned that the Borrower has obtained and maintained the required Permits, Approvals and Clearances including those mentioned in Schedule VII till date for construction and operation of the project. One set of the same is available with LE. LE also certifies that all these clearances are currently effective and are in full force. Further, LE via letter dated Nov 23, 2017 (Annexure C) has mentioned that all statutory and non-statutory Clearances required at present stage of implementation of the Project have been obtained and the same are in full force and effect. Copies of the same are available with LE. Any other clearances, required at later stage, shall be reviewed at an appropriate time. Further, LE in the letter has mentioned that Forest Area of 18.9 Km. route length is present in the Transmission Line Route of Koteshwar-Rishikesh and Forest Area of 3.3 Km. route length is present in the Transmission Line Route of Babai-Bhivani Line. Both the Forest Clearances will be obtained by the Borrower at later stage.

		However these are not critical as on date. Meanwhile the Borrower will complete the remaining work other than the Forest portion and upon receipt of Forest Clearance Stage-I, will proceed for the completion of Transmission Line Route in Forest area. Further, LE has mentioned that it does not foresee any issues in getting Forest Clearance.
	(b) The Borrower shall have obtained all necessary third party consents, waivers and other approvals required for the Project and for the execution, delivery, and enforcement of the Financing Documents. The permission of the assessing officer under section 281(1)(ii) of the Income Tax Act, 1961 shall have been applied by the Borrower for the creation of the Security Interest (as stipulated in Clause 11 hereto) in favour of Security Trustee and the respective Lenders. The LIE/Lenders' Agent shall have reviewed each of the aforesaid approvals and Clearances and certified the adequacy and validity of the same.	Copy of 281 (1) application stamped by the Income tax department is placed at Annexure I.
	(c) The Borrower shall have addressed all the issues raised by the Lenders in relation to the Clearances to the Lenders' satisfaction; and	Borrower certificate is placed at Annexure E.
	(d) The Borrower shall have demonstrated to the satisfaction of the Lenders' Agent that it has complied with all conditions precedent in all Clearances.	Borrower certificate is placed at Annexure E.
	(e) The Borrower shall have obtained order for adoption of tariff under section 63 of the Electricity Act, 2003 to the satisfaction of the Lenders.	LE via letter dated Nov 23, 2017 (Annexure C) has mentioned that the same is obtained by the borrower

Exhibit 9M - Extract of TSA agreement

Transmission Service Agreement

ARTICLE: 13

13 EVENTS OF DEFAULT AND TERMINATION

13.1 TSP Event of Default

The occurrence and continuation of any of the following events shall constitute a TSP Event of Default, unless any such TSP Event of Default occurs as a result of a breach by the Long Term Transmission Customers of their obligations under this Agreement, the Long Term Transmission Customers Event of Default or a Force Majeure Event:

a. After having taken up the construction of the Project, the abandonment by the TSP or the TSP's Contractors of the construction of the Project for a continuous period of two (2) months and such default is not rectified within thirty (30) days from the receipt of notice from the Lead Long Term Transmission Customer in this regard;

b. The failure to commission any Element of the Project by the date falling six (6) months after its Scheduled COD;

PFS Index of Exhibits for [redacted] with all the relevant supporting:

Sr.No.	Particulars
1.	Exhibit 10A - Extract of the minutes of meeting dated 27 Sep 2019
2.	Exhibit 10B - Extract of minutes of consortium mtg of Term lenders 10 Oct 2019
3.	Exhibit 10C - Extract of ATR
4.	Exhibit 10D - Extract of Audit Com meeting held on 27 Sep 2019
5.	Exhibit 10E - Extract of agenda noted of the rate of interest per WDCL policy

Exhibits submitted by PFS in support of the response prepared for [redacted]

Exhibit 10A - Extract of the minutes of meeting dated 27 Sep 2019

Exhibit 10B - Extract of minutes of consortium mtg of Term lenders 10 Oct 2019

RECORD NOTES OF DISCUSSIONS

Date:	10th Oct 2019
Venue:	Board Room, 2nd floor, NBCC Tower, 15 Bhikaji Cama Place, New Delhi – 110066
Attendees:	1. Officers of [redacted]
	2. Term Lenders [redacted] (Attendance sheet enclosed)

1. [redacted] Company) welcomed all the Term Lenders and presented an update on the Company's current position:

5. During discussion it emerged that existing lenders of working capital limits may also seek charge on receivables of [redacted] against their facilities extended to company which are presently unsecured. Term Lenders agreed to consider the same, if required.

6. Term Lenders expressed that they continue to have confidence in PTC group and further emerged that

In view of order of AP High Court, it is expected that APSPDCL will start releasing payments from November 2019 onwards. It was agreed that the funds position of PEL will be reviewed again in December 2019 and decision regarding condition at para 1. h (i) shall be deliberated again. However, they advised PEL to pursue with PFS for agreeing on a pari-passu charge. Further PEL was also advised that PFS may be requested to grant an extension of time for security creation & perfection till March 2020

Meeting ended with vote of thanks to all the Term Lenders.

Exhibit 10C - Extract of ATR

Project	Condition pending for compliance	Remarks/Action Taken by the Borrower / PFS
PTC Energy Ltd	Security to be created and perfected within 90 days of initial disbursement: A) Priority charge over the receivable of [redacted] from the sale of power from wind power projects to the extent of Rs. 100 crores. Due Date: 29th Dec 2019 B) Priority charge on cash-flows repayment from the monetization sale divestment of [redacted] assets to the extent of Rs. 100 crores. Due Date: 29th Dec 2019	[redacted] invited all term lenders on 10th Oct 2019 to finalize the modalities involved to achieve the timelines for creation & perfection of the said security. It was agreed that the funds position of [redacted] will be reviewed again in December 2019 and the borrower has requested PFS to extend the timelines for the said security condition till 31 Mar 2020 which is under consideration with PFS. Further Rs. 74.55 crores has already being received by [redacted] till December 2019

3 PTC Energy Limited
[illegible]
1 [illegible] Rs. 100 crores – Extended till 31st March 2020 (Previous due date – 29th Dec, 2019)
2 [illegible] Rs. 100 crores – Extended till 31st March 2020 (Previous due date – 29th Dec, 2019)
[illegible]

Exhibit 10D - Extract of Audit Com meeting held on 27 Sep 2019

Exhibit-XA- Extract of the 58th Audit Committee meeting held on 27th September 2019.

The instant loan proposed to [redacted] (which is a group company) along with outstanding loan amount of Rs 60.15 crores is within the 10% of net owned funds of the limit specified for calculation of Tier I Capital. The Committee was also informed that [redacted] being a subsidiary of PTC India Ltd. (i.e Promoter Company), therefore, it is a group company and the transaction shall be considered as related party transaction. The Committee was also informed that the instant proposal is on arm length basis due to the following factors:-

S.No.	*Factors*	*Remarks*
1	*Rate of Interest*	*The same is in line with PFS policy for Working Capital Demand Loan and in line with medium term facility given to other borrowers*
2	*Terms of Loan*	*Terms of the loan are similar to the medium term loan facilities given to the other borrower*

Exhibit 10E - Extract of agenda noted of the rate of interest per WDCL policy

Rate of Interest	12.50% P.A. payable monthly, linked to PFSBR as below: PFSBR + Spread (10.75%+1.75% = 12.50%) PFSBR shall be fully floating. Spread shall be reset annually from the date of initial disbursement. As per the Operational Policy of Working Capital Demand Loan (WCDL), Rate of Interest shall be atleast 200 bps higher than applicable rate of interest on the term debt facility. The proposed ROI of 12.50% p.a. is 230 bps higher than the existing term debt facility to PEL extended by PFS, wherein the applicable ROI is 10.20% p.a. and therefore proposed ROI is in compliance with policy. As per Rating Model for Debt Assistance to Holding Companies/Corporate Loan, the company is rated as Grade OR 5 (Investment Grade). As per the PFSBR Policy, for the Grade OR 5, the applicable spread shall be 2%, where in the instant proposal Spread proposed is 1.75%.

PFS Index of Exhibits for [redacted] with all the relevant supporting:

Sr.No.	Particulars
1.	Exhibit 11A- Board Meeting Dated 12 Jan 2010
2.	Exhibit 11B - Internal approval note sought from CMD
3.	Exhibit 11C- LCN Feb 2015 disbursements
4.	Exhibit 11D- LCN Sept 2014 disbursements
5.	Exhibit 11E -Extract of IDC Cost

Exhibits submitted by PFS in support of the response prepared for [redacted]

Exhibit 11A- Board Meeting Dated 12 Jan 2010

Item no. 26.10. Proposal of debt financing to M/s Surana Power Ltd.

The proposal for debt financing upto Rs. 120 crore to M/s [redacted] was explained to the Board as per details mentioned in the agenda note. It was informed to the Board that proposal is for bridge loan convertible into loan term loan at the time of first disbursement from the long term lenders or one year, whichever is earlier. In case the bridge loan is not converted into long term loan, the same would be repaid as bullet repayment as per terms mentioned in the agenda note. It was further informed that the bridge loan would be disbursed into two installments of Rs. 80 crore and Rs. 40 crore each as per the conditions stipulated in agenda note. After discussion, the Board passed the following resolution: -

"Resolved that a Rupee Term Debt of Rs. 120 crores (Rupees One Hundred Twenty Crores) to M/s [redacted] with a provision of bridge loan of upto Rs. 120 crores (Rupees One Hundred Twenty Crores) for meeting part expenditure of the proposed implementation of 2x210 MW coal based Thermal Power Plant in Vadlur Village, Raichur District, Karnataka on the terms and conditions as mentioned in the agenda notes, be and is hereby approved.

Further resolved that CMD or his authorized representative is authorized, to approve and amend general terms and conditions including special conditions - pre-commitment/pre-disbursement and other conditions of debt sanction as may be necessary and to execute the loan agreements and other related agreements including security agreement and register the charge on assets with the Registrar of Companies and to take such other necessary actions including for assignment/agreement of assignment of assets of [redacted] to PFS' lenders or any other agreement in this regard.

Further resolved that CMD or his authorized representative is authorized to take necessary action for issuance of Letter of Comfort instead of aforesaid bridge loan in full or part on such terms and conditions as may be considered appropriate and take such other necessary actions as may be necessary in this regard.

Further resolved that CMD or his authorized representative is also authorised to approve the conversion of the bridge loan to M/s [redacted], into long term loan in part or full and take the necessary actions in this regard including modification in terms and condition as deemed appropriate."

Exhibit 11B - Internal approval note sought from CMD

	[illegible] … without the prior written permission of the Lenders	[illegible] permission of the Lenders. … [illegible] without the prior written permission of the Lenders	[illegible] Financial Implication: [illegible]
4.	Name of Company: [illegible] Power Limited	Loan: [illegible]	
i.	Clause 7.1 d) (Tie-up of Debt and Equity) i. Borrower shall have tied up … approved by the Lenders. ii. The Borrower shall have entered into a shareholders' subscription agreement … terms and conditions of which are to the satisfaction of the Facility Agent	Condition is sought for the present disbursement	[illegible] Financial implication: Outstanding exposure of PTC [illegible] disbursement
ii.	Clause 7.2 m) (Coal Transportation Arrangements) The Borrower shall have: i. Finalised the layout … satisfaction of the lenders engineer ii. Appointed a railway agency … for the project iii. Submitted a certificate … [illegible] iv. Ensured that [illegible] … for the project	Condition is deferred till the [illegible] COD	
iii.	Clause No. 7.2 p) (Project Land Arrangements) i. The Borrower shall have obtained … satisfactory to the Lenders Engineer ii. The Borrower shall have acquired … in accordance with Applicable Law, and iii. The Borrower shall have furnished … by an approved agency	Condition is relaxed for the present disbursement	
iv.	Clause No. 7.2 (q) (Power Purchase and Power Evacuation) i. The Borrower shall have available … evacuation by the Borrower ii. The Borrower shall have finalised … [illegible] under the Project Documents iii. The Lenders Engineer shall have reviewed … for evacuation of power from the Project	Condition is relaxed till the [illegible] COD	
	Clause No. 7.3.1 (Obligations for drawdown) i. The Borrower shall have performed … prior to the date of such Drawdown ii. The Borrower shall have paid … under the Financing Documents	Condition is relaxed for the present disbursement	
	Clause No. 7.3.2 (Drawdown) i. The Borrower shall have delivered … a Notice of Drawdown ii. The Facility Agent shall have received … relevant Drawdown notice iii. The Borrower shall have procured … Common Rupee Loan Agreement	Condition is relaxed for the present disbursement	

Page 13 of [illegible]

Exhibit 11C- LCN Feb 2015 disbursements

IDBI BANK

आईडीबीआई बैंक लिमिटेड

IDBI BANK LIMITED
115, Anna Salai,
P.B. No. 805, Saidapet,
Chennai - 600 015
Tel . 044-2220 2000, 2235 5201-5
Fax : 044-2235 5226/27/2235 3346
Website : www.idbi.com

Ref No. 1996 /ICG/SPL/2014-15

February 17, 2015

[redacted]
No.29, Whites Road,
II[nd] Floor, Royapettah,
Chennai -600 014,
Tamil Nadu, India

Endt. No. 1997 of date February 17, 2015
Copy forwarded for information/necessary action to:-

The Assistant General Manager [redacted] 35, Mint Street, Chennai – 600 079 **Fax Number:** (+91 44) 25201093	The Deputy General Manager, [redacted] Branch, 212, PLA Towers, Anna Salai, Chennai - 600 006 **Fax Number:** (+91 44) 28297944	The Deputy General Manager, [redacted] Corporate Business Branch, Raheja Towers, Beta Wing, I Floor, 177, Anna Salai Chennai – 600 002 **Fax Number:** (+91 44) 28603122
The Assistant General Manager, [redacted], Mid Corporate Branch, 30, Whites Road, Chennai – 600 014 **Fax Number:** (+91 44) 28521806	The AGM & Head (Chennai Zonal Office), [redacted] Ltd, 2nd Floor, Montieth Place, No. 47, Montieth Road, Egmore, Chennai -600 008 **Fax Number:** (+91 44) 66881010	The Senior Vice President PTC India Financial Services, 2[nd] floor, NBCC Tower, 15, Bhikaji Cama Place, New Delhi – 110066 **Fax Number:** (+91 11) 41659144
Chief (Investment - Operations / Project Appraisal), [redacted] Central Office, "Yogakshema" Jeevan Bima Marg, Mumbai – 400 021 **Fax Number:** (+91 22) 22810448	The Assistant General Manager, [redacted], 40/41, Anna Salai, Mount Road, Chennai – 600 002 **Fax Number:** (+91 44) 28525535	

Telegram : "INDBANKIND" Post Bag No.6080/16061/16071 Website: www.idbi.com
Regd. Office : IDBI Tower, WTC Complex, Cuffe Parade, Mumbai - 400 005.
Tel. : 022-22189111, 66553355 Fax : 022-22181294

[redacted]

8th Lending Confirmation Notice

LENDING CONFIRMATION NOTICE (LCN)

Ladies and Gentlemen:

This notice is issued pursuant to (i) the Common Rupee Loan Agreement, dated as of September 24, 2010, among the Borrower, the Lenders, the Security Trustee and the Facility Agent, (ii) the ECB Facility Agreement, dated as of April 25, 2012 executed among the Borrower, the ECB Lender and the Facility Agent and (iii) the further discussions held with the company officials and participating lenders regarding servicing of debt obligations.

1. As the cost overrun proposal is under the advanced stages of consideration, it has been decided to issue an LCN to facilitate the participating lenders to clear the interest over dues up to January 31, 2015. Since the Borrower has not complied with few of the conditions stipulated, inter-alia include DER, clearances and approvals etc, this 8th LCN is being issued by temporarily relaxing certain terms and conditions and pending receipt of company's Drawdown Notice to enable the lenders to disburse their respective portion of interest till January 31, 2015 and along with pro-rata share of insurance premium & TEV consultant's fee as mentioned at **Annexure – I** to the designated TRA account.

2. Based on the information supplied to us by the Borrower, we also certify that the conditions precedent to Drawdown stipulated in Section 5 of the Common Rupee Loan Agreement have been satisfied except for the conditions given in the **Annexure – II**.

For and on behalf of [redacted], as Facility Agent

[redacted]
Dy. General Manager

IDBI BANK LIMITED
CHENNAI

[redacted]

8th Lending Confirmation Notice

Annexure I

Lenders	Sanc.	% of share	Disb (as on 21.1.15)	% of share disb.	Available for disb.	Current disb. (Proposed LCN)	Available after present disb.	Int	Insurance & others
[redacted]	342.7	19.04%	275.45	80.38%	67.25	9.80	57.45	9.47	0.33
[redacted]	264	14.67%	154.62	58.57%	109.38	4.16	105.23	4.16	0.00
[redacted]	259	14.39%	209.46	80.87%	49.54	7.45	42.09	7.20	0.25
[redacted]	51.3	2.85%	72.32	140.97%	(21.02)	0.05	(21.07)	0.00	0.05
[redacted]	221	12.28%	179.79	81.35%	41.21	6.40	34.81	6.18	0.22
[redacted]	192	10.67%	153.97	80.19%	38.03	5.48	32.55	5.29	0.19
[redacted]	144	8.00%	115.95	80.52%	28.05	4.13	23.92	3.99	0.14
PTC Financial Services	115	6.39%	92.36	80.31%	22.64	3.29	19.35	3.17	0.11
[redacted]	115	6.39%	64.67	56.23%	50.33	2.22	48.11	2.22	0.00
[redacted]	96	5.33%	73.06	76.10%	22.94	2.61	20.33	2.51	0.09
Total	1800.00	100%	1,391.65		408.35	45.58	362.77	44.19	1.39

****L&T Infra disbursed from their cost overrun loan based on bi-lateral documentation and hence not included in interest sharing.***

IDBI BANK LIMITED

[redacted]
8th Lending Confirmation Notice

Annexure-II

Compliance of CRLA conditions

Sl. No	Clause	Present status of compliance
1	**Clause no. 7.1 (d)** **Tie-up of Debt and Equity** i) Borrower shall have tied up the entire debt and equity requirements of the Project as per the means of finance approved by the Lenders. (ii) The Borrower shall have entered into a shareholders/ subscription agreement with the Equity Investor on terms and conditions satisfactory to the Lenders for infusing the envisaged equity contribution into the Project, either by way of direct equity or subscription to compulsorily convertible instruments, the terms and conditions of which are to the satisfaction of the Facility Agent.	The company executed the Common Rupee Term Loan Agreement (CRLA) on September 24, 2010. Though a shareholders' agreement was executed on March 24, 2011, with [redacted] the equity capital was not finally received. The company has now identified a new PE investor for the project; the term sheet has been signed. The company is expected to shortly sign the share-holders' agreement for infusion of Rs.325 crore of capital The company tied up the original project debt. Subsequently [redacted] did not disburse an amount of USD 30 Mn, which will be shared by the lenders along with the overrun assistance. The condition is relaxed further only for making some disbursement from RTL – 1 for recovery of critical dues of the lenders / meeting insurance premium, consultant payments etc.
CONDITIONS PRECEDENT TO INITIAL DRAWDOWN (7.2)		
2	**Clause No.7.2 (m)** **Coal Supply and Transportation Arrangements** *The Borrower shall have:* i) finalized the layout and basic design of the coal conveyor for transportation of coal from the railway siding to the Project to the satisfaction of the Lenders Engineer; ii) appointed a reputed agency for finalization of the railway siding plan for the Project;	During the reappraisal in September 5, 2014, the company was allowed time till 6 months before revised SCOD (i.e. September 30, 2015) for compliance of these conditions

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[redacted]
8th Lending Confirmation Notice

Sl. No	Clause	Present status of compliance
	iii) furnished a certificate from a duly accredited agency certifying the coal quality & the minimum reserve quantity in the mining area of 2640 hectares allocated to PT Sosangga and satisfy the Lenders Engineer/ Lenders that the same would be adequate for operating the Project for a minimum period of 15 (fifteen) years; and iv) ensured that PT Agate has obtained all necessary Clearances including but not limited to the export license for marketing and selling of coal for the Project.	
3	**Clause No. 7.2 (p)** **Project Land Arrangements** (i)The Borrower shall have obtained and maintained legal and valid possession of land, ownership, use and other interests or rights with respect to the Project Site and on which it purports to grant Security Interest on the Project Site, free of all Security Interests (other than Permitted Security Interest), the adequacy of which shall be satisfactory to the Lenders Engineer; (ii)The Borrower shall have ensured that each of the lease deeds in respect of the land pertaining to the Project Site have been duly registered with the relevant Sub-Registrar of Assurances in accordance with Applicable Law; and (iii)The Borrower shall have furnished a valuation certificate for the land acquired for the Project and the valuation exercise shall be carried out by an accredited agency.	The company has mortgaged 148 acres of land. However, a small portion (2.50 acres approx.) of land, required for the pump house, is yet to be transferred to the company's name. During the reappraisal in September 5, 2014, the company was allowed time till 6 months before revised SCOD.
4	**Clause No.7.2 (q)** **Power Purchase and Power Evacuation** i) The Borrower shall have amended the power purchase agreement entered into with the Sponsor so as to stipulate: (i) furnishing of an unconditional, revolving, irrevocable letter of credit by the Sponsor, for an amount equal to 3 months estimated billing and (ii) payment of compensation by the Sponsor at the rate of Rs.1.25 per unit, if it fails to off-take a minimum of 85% (eighty five percent) of the declared availability by the Borrower. ii) The Borrower shall have finalized the power evacuation scheme for the Project and demonstrated that the power evacuation facilities (including grant of long-term open access on [redacted] Limited's transmission system) would be in place on time so as to facilitate testing and synchronisation of the proposed plant	During the reappraisal in September 5, 2014, the company was allowed time till 6 months before revised SCOD.

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Sl. No	Clause	Present status of compliance
	as per the envisaged commissioning schedule under the Project Documents. iii) The Lenders Engineer shall have reviewed the scheme and also the need for obtaining additional land (or the requisite rights of way) for laying the connecting transmission lines/ facilities for evacuation of power from the Project.	
CONDITIONS PRECEDENT TO EACH DRAWDOWN (7.3)		
7	**Clause No. 7.3.3** **Debt: Equity Ratio** (i) The Borrower shall have provided evidence to the satisfaction of the Lenders that the ratio of Debt to Equity for meeting the Project Cost does not exceed 3:1. The Facility Agent shall have received a certificate from an Authorized Officer of the Borrower confirming that the Debt to Equity ratio of the Borrower would not exceed 3:1 after the relevant Drawdown. For the purpose of calculating Debt to Equity ratio, any Cost Overrun which has been funded by way of subscription to Equity shall be excluded. (ii) The Facility Agent shall have received a certificate each from: (a) a chartered accountant; and (b) a Director of the Borrower stating that the Required Equity required to have been brought in as on the relevant Drawdown Date has been brought in.	DER stipulated in the CLA is 3:1. The overall equity infused by the promoters is Rs.350 crore and, including the proposed LCN, the debt would increase to Rs.1,437.23 crore; the DER would work out to 4.11:1. After the sanction of proposed overrun loan and infusion of equity funds by the PE investor, the overall DER of the project would be modified to 3.44:1 which would be followed for making all future disbursements i.e. from the original RTL as well as the additional RTL. The condition is relaxed further only for making some disbursement from RTL - I for recovery of critical dues of the lenders / meeting insurance premium, consultant payments, etc.
9	**Clause No. 7.3.5** **Security** (i)Each of the Security Documents and the Security Interest over the assets created there under in favour of the Security Trustee required, under the terms of this Agreement, to be created as of the relevant Drawdown Date for the benefit of the Secured Parties shall be in full	Only a small piece of land (about 2.5 acres), where pump house is to be constructed, is yet to be transferred in the name of the company. During the reappraisal in

[redacted]

8th Lending Confirmation Notice

Sl. No	Clause	Present status of compliance
	force and effect including without limitation, the Security Interest required to be created over any property in accordance with Section 8.7.3. (ii) The Borrower shall have obtained the written consent of the relevant parties for execution and performance of the Security Documents. (iii) The requirements of this Section 7.3.5 shall not apply to the extent that they are already satisfied as per the requirements of Section 7.2(h).	September 5, 2014, the company was allowed time till 6 months before revised SCOD.
Conditions which are to be complied within 6 months from Initial Drawdown (7.4)		
10	The following conditions are to be complied within 6 months from Initial Drawdown (i) Acquire the pump-house land for the Project and obtain all Clearances from Karnataka Industrial Areas Development Board and other relevant Governmental Authorities for installation of the raw water pump-house as well as for laying the water pipeline from the pump house to the Project; (ii) Obtain the requisite approvals (including rights of way for the land corridor) for installation of the coal conveyor for transportation of coal from the railway siding / coal yard to the Project; (iii) Obtain from Indian Railways the requisite permission, consents, clearances, etc. for construction of the railway siding as envisaged in the Project; (iv) Obtain requisite no-objection certificates, Clearances and rights of way from the competent authority for laying the connecting transmission lines for evacuation of power from the Project.	During the reappraisal in September 5, 2014, the company was allowed time till 6 months before revised SCOD.
Conditions to be complied within 12 months from Initial Drawdown (7.5)		
11	The Borrower shall have, within a period of 12 (twelve) months from Initial Drawdown Date, entered into/ensured that Power Trading Corporation enters into, back-to-back power sale agreement(s), having a minimum tenure of 10 (ten) years, with the state utilities' distribution companies, for sale of at least 168 MW capacity of the Project and the tariff for such power sale agreement(s) would be to the	During the reappraisal in September 5, 2014, the company was allowed time till 6 months before revised SCOD (i.e. September 30, 2015).

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[illegible] Power Ltd
5th Lending Confirmation Notice

Sl. No	Clause	Present status of compliance
	satisfaction of the Lenders.	
	Other conditions (5.7)	
12	**Proportion of Advances:** The contribution of the Rupee Lenders towards each Drawdown under the Facility shall be pro rata to the extent of their respective Commitments. The Facility Agent shall, with respect to each Drawdown requested by the Borrower determine and communicate to each Lender, the share of each Lender in such Drawdown request, after taking into account Drawdown previously made by each Lender under the terms of the Financing Documents so as to ensure that the contribution of each Lender towards each Drawdown is pro rata to the extent of their respective Commitments. For the avoidance of doubt, where Drawdowns have been made or participated in by any of the Rupee Lenders by way of participating in or issuing Letters of Credit (such Rupee Lenders hereinafter referred to as the "Participating Rupee Lenders"), no Disbursement shall be made by any of the Participating Rupee Lenders until such time, as the ratio of all Disbursements made by all the other Rupee Lenders to their respective Commitments is the same as the ratio of all Drawdown made by the Participating Rupee Lenders to their respective Commitments.	The condition is relaxed further only for making some disbursement from RTL – 1 for recovery of critical dues of the lenders / meeting insurance premium, consultant payments, etc.

PFS Index of Exhibits fo[redacted] with all the relevant supporting:

Sr.No.	Particulars
1.	Exhibit 12A - Board Minutes Dated 31 Dec 2018
2.	Exhibit 12B – RBI Circular no. RBI2018-19184 16 May 2019
3.	Exhibit 12C - Extract of agenda _ Appointment of CRO
4.	Exhibit 12D – Extract of minutes of NRC Meeting 21 June 2021
5.	Exhibit 12E - Extract of minutes of the Board 21 June 2021

Exhibits submitted by PFS in support of the response prepared for [redacted]

Exhibit 12A - Board Minutes Dated 31 Dec 2018

Item no. [illegible] To consider the proposal for sanction of term debt 471.90 crores to [redacted] for Four Laning of existing two lane Ballari-Byrapura section of NH-150A (54.95 km) in the State of Karnataka and sanction of term Debt Rs 65.70 crores to [redacted] as LOC facility for issuance of Bank Guarantee for performance security in favour of NHAI for above project

The proposal for sanction of term debt [illegible] crores to [redacted] [illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible] is hereby approved.

Exhibit 12B – RBI Circular no. RBI2018-19184 16 May 2019

भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
www.rbi.org.in

RBI/2018-19/184
DNBR (PD) CC. No.099/03.10.001/2018-19 **May 16, 2019**

Non-Banking Financial Company- Investment and Credit Companies, Infrastructure Finance Companies, Micro Finance Institutions, Factors and Infrastructure Debt Funds

Madam / Dear Sir

Risk Management System – Appointment of Chief Risk Officer (CRO) for NBFCs

With the increasing role of NBFCs in direct credit intermediation, there is a need for NBFCs to augment risk management practices. While Boards of NBFCs should strive to follow best practices in risk management, it has been decided that NBFCs with asset size of more than Rs 50 billion shall appoint a CRO with clearly specified role and responsibilities. The CRO is required to function independently so as to ensure highest standards of risk management.

2. The NBFCs shall strictly adhere to the following instructions in this regard:

a) The CRO shall be a senior official in the hierarchy of an NBFC and shall possess adequate professional qualification/ experience in the area of risk management.
b) The CRO shall be appointed for a fixed tenure with the approval of the Board. The CRO can be transferred/ removed from his post before completion of the tenure only with the approval of the Board and such premature transfer/ removal shall be reported to the Department of Non-Banking Supervision of the regional office of the Bank under whose jurisdiction the NBFC is registered. In case the NBFC is listed, any change in incumbency of the CRO shall also be reported to the stock exchanges.
c) The Board shall put in place policies to safeguard the independence of the CRO. In this regard, the CRO shall have direct reporting lines to the MD & CEO/ Risk Management Committee (RMC) of the Board. In case the CRO reports to the MD & CEO, the RMC/ Board shall meet the CRO without the presence of the MD & CEO, at least on a quarterly basis. The CRO shall not have any reporting relationship with the business verticals of the NBFC and shall not be given any business targets. Further, there shall not be any 'dual hatting' i.e. the CRO shall not be given any other responsibility.
d) The CRO shall be involved in the process of identification, measurement and mitigation of risks. All credit products (retail or wholesale) shall be vetted by the CRO from the angle of

[illegible]

inherent and control risks. The CRO's role in deciding credit proposals shall be limited to being an advisor.
e) In NBFCs that follow committee approach in credit sanction process for high value proposals, if the CRO is one of the decision makers in the credit sanction process, the CRO shall have voting power and all members who are part of the credit sanction process, shall individually and severally be liable for all the aspects, including risk perspective related to the credit proposal.

3. Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 has been modified accordingly.

Yours faithfully

(Manoranjan Mishra)
Chief General Manager

Exhibit 12C – Extract of agenda _ Appointment of CRO

PTC INDIA FINANCIAL SERVICES LIMITED
MEMORANDUM FOR THE COMMITTEE MEETING
AGENDA ITEM NO. [illegible]

Background

[illegible]

Market Scenario

It is to mention that the CRO in other similar NBFCs such as [redacted], [redacted] in the larger NBFCs, such as [redacted], [redacted] have very senior persons as CRO. They are Executive Director level, that is, just one level below the Board.

The CRO of NBFCs are required to have a deep understanding of Business, Credit, Regulatory and Operational Risk and proficient in framing efficient risk management processes through a blend of financial acumen and the use of data and analytics.

Hierarchy in PTC Group

As regards the hierarchy in PTC group, the following are the cadres:

A. **Leadership (Top management)** which comprises of CMD, Director & ED
B. **Executive (Senior Management)** which comprises of EVP & SVP
C. **Executive (Middle Management)** which comprises of VP, AVP & Manager
D. **Associate (Junior Management)** which comprises of Deputy Manager, Assistant Manager, Senior Executive / Executive Secretary
E. **Support Staff** which comprises of Executive Assistant / Executive, Junior Executive / Office Assistant

The present CRO in PFS, Mr [redacted] is currently at the level of Vice President w.e.f. 1st April, 2020 and is in the Middle Management cadre whereas the RBI stipulates that **"the CRO shall be a senior official in the hierarchy of an NBFC"**.

Proposal

Considering the above mentioned circular of RBI, the Nomination & Remuneration Committee may kindly consider and approve the following:

a) To create a position of Chief Risk Officer in the Company at the level of Senior Management, an executive not below the level of EVP/ED

b) To extend the tenure of Mr [redacted] as CRO for a further period of six months, till such time an adequately senior level executive is appointed as CRO

Exhibit 12D – Extract of minutes of NRC Meeting 21 June 2021

4. **<u>Item no. 42.4 Completion of tenure of Chief Risk Officer (CRO)</u>**

The agenda note on the completion of tenure of Chief Risk Officer (CRO) was explained to the Committee as per details mentioned therein.

The Committee members discussed the proposal and were of the view that, current CRO (Sh. Devesh Singh) has experience of more than 18 years in banking and financial services sector. He has been instrumental in preparing the risk management framework and policies for PFS including the EWS framework etc.

The Committee further stated that RBI circulars with respect to the appointment of CRO states that senior person shall be appointed to the post of CRO, however the circular does not specify the level of seniority.

Further, RBI in its inspection reports has not commented upon the seniority of CRO in PFS. The Committee was of the view that Sh. Devesh Singh is performing well in the CRO role and he has gained valuable experience by now. It was observed that while other NBFCs in some cases may be having CROs at ED level, but their book size may be much larger.

The Committee further observed that in the last 2 years, since the appointment of CRO there is no change in the requirements as per RBI circulars with respect to role, position and appointment of CRO. The Committee was of the view that in order to ensure independence in the working of the CRO, it would be appropriate to re-appoint Sh. Devesh Singh as CRO for a further period of 5 years.

The Committee was informed about the requirement of review of the terms and conditions of appointment of CRO by the Risk Management Committee as per recent amendment in SEBI Listing Regulations. The Committee was informed that a meeting of the Risk Management Committee had been scheduled today (i.e. 21st June, 2021) after this Committee Meeting. The Committee was of the view as the agenda is to be considered by N&R Committee and Risk Management Committee both, therefore, the members of the Risk Management Committee may be invited to this meeting to avoid any overlap in the decision as the agenda may then be placed to the Board in its meeting scheduled the same day (i.e. 21st June, 2021).

All members of the Risk Management Committee were invited to join the meeting at this stage.

The Chairman, N&R Committee, briefed the members of the Risk Management Committee about the discussion in the N&R Committee related to reappointment of Sh. Devesh Singh as CRO.

Sh [redacted], Chairman of the Risk Management Committee informed the Committee members that earlier, in line with the provisions of RBI circular the appointment of Chief Risk Officer (CRO) was made directly by the Board in June, 2019 and the same was not required to be put up through the Risk Management Committee. However, SEBI vide its amendment dated 05thMay, 2021 in SEBI Listing Regulations, 2015 enhanced the role of the Risk Management Committee by directing that "The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee."

He further informed that such a review by the Risk Management Committee appears to be inappropriate. He explained that where the appointment of CRO is made by the Board, Risk Management Committee is a subcommittee of the Board, as is the case with PFS and therefore there appears to be room for clarification on this from SEBI, as the 5th May amendment applied to all listed companies, of which NBFCs are a small proportion. Therefore, the Risk Management Committee may only recommend to the Board for appointment of CRO. He further stated that PFS may highlight this matter to SEBI to seek the removal of this apparent anomaly.

Members of the Risk committee agreed with the views of the N&R Committee on the appointment of [redacted] as CRO of PFS for a period of 5 years.

MD & CEO informed the Committee that Sh. Devesh Sigh is a very competent officer and is performing well in his role as CRO and the reason for recommendation for six months was only for his career progression in other functional areas. The Committee listened to the views of MD & CEO and expressed that, if for reasons of career progression, the concerned individual requires a change to another function, a change/transfer prior to completion of the term is provided for in the RBI circular.

Exhibit 12E - Extract of minutes of the Board 21 June 2021

2176. Completion of tenure of Chief Risk Officer (Additional Agenda item tabled during the meeting)

The Board was informed that the current tenure of Sh[redacted] as Chief Risk Officer (CRO) of the Company completes on 25th June, 2021. The Nomination & Remuneration Committee and the Risk Management Committee in their respective meetings held today (i.e. 21st June 2021) prior to the Board meeting, have discussed the proposal related to the completion of tenure of CRO and recommended the re-appointment of Sh[redacted] as CRO for further period of 5 years w.e.f. 26th June, 2021.

The Board discussed the same and after detailed deliberations, based on the recommendation of the Nomination & Remuneration Committee and Risk Management Committee re-appointed Sh[redacted] as Chief Risk Officer of the Company for a further period of 5 years w.e.f. 26th June, 2021.

PFS Index of Exhibits for [redacted] with all the relevant supporting:

Sr.No.	Particulars
1.	Exhibit 13A - Board Minutes Dated 31 Dec 2018
2.	Exhibit 13B - Extract of Board agenda : Project Cost

Exhibit 13A - Board Minutes Dated 31 Dec 2018

Item no. 100.17 To consider the proposal for sanction of term debt of Rs. 100 crores to [redacted])

The proposal for sanction of term debt of Rs. 100 crores to [redacted] for up-gradation of existing 2-lane road to 4-lane of Waranaga – Mahagaon section of NH-361 in Maharashtra was explained to the Board as per details mentioned in the agenda note.

The Board was informed that under Phase IV of NHDP, NHAI had invited interested applicants through International Competitive Bidding (ICB) process to participate in 4-laning with paved shoulders of existing 2 lane project road stretch between Waranga – Mahagaon section of NH-361 from km 253.700 to Km 320.58 in the State of Maharashtra on design, build, operate and transfer (DBOT) Hybrid Annuity basis (HAM). After evaluating the bids, project was awarded to [redacted] on the basis of lowest bid price (calculated as NPV of Project Cost and O&M expenses). Pursuant to the award of the project to [redacted], [redacted] was incorporated for implementing the project. [redacted] has executed the Concession Agreement (CA) with NHAI which includes 15 years of operation period starting from COD. The Board was further informed that bid project costis Rs. 1071 crores. The project cost is proposed to be funded, in the debt : equity : NHAI contribution ratio of 48:12:40. Axis Bank has underwritten the entire debt facility of Rs. 514 crores. The borrower has requested for participation in the Axis Bank Facility to the extent of Rs. 100 crores. The instant proposal is for sanction of Rs. 100 crores.

The Board was also informed that proposal is in conformity with the operational policies of PFS. It was also informed that proposed interest rate is 9.25% in the instant case. The same is below base rate of PFS which is 9.40%. As per policy, any funding below Base Rate of PFS requires Board approval. In view of the risk mitigation available for construction risk and revenue risk as project is being implemented under HAM scheme of NHAI and the track record of promoter, funding below base rate may be considered. The overall risk assessment of the project is Moderate.

The Board considered the various aspects related to the proposal including the risk report and after detailed discussions, passed the following resolution: -

"Resolved that term Loan of Rs. 100 crores (Rupees Hundred Crores Only) to [redacted] for up-gradation of existing 2-lane road to 4-lane of Waranga – Mahagaon section of NH-361 in the State of Maharashtra on the terms and conditions as mentioned in the agenda note along with funding below base rate be and is hereby approved."

Exhibit 13B – Extract of Board agenda : Project Cost

5. Project Cost & Means of Finance:

The Bid Project cost is estimated at Rs 1071.00 crore. NHAI has awarded the project to the [redacted] on the basis of lowest Bid Price. Break-up of same is as under:

#	Particulars	Bid Project Cost (Rs Cr)	% of Project cost
a.	EPC Cost (including maintenance cost)	980.00	91.50%
b.	Interest during construction	51.00	4.76%
c.	Interest on Mobilization Advance	7.00	0.65%
d.	Preliminary & pre-operative exp.	28.00	2.61%
e.	Contingencies	5.00	0.47%
	Total	1,071.00	100.0%

The Project Cost is proposed to be funded in following manner:

Financed by	Bid Project Cost (Rs. cr.)
Promoters' Contribution	129.00
Rupee Term Loan	514.00
NHAI Contribution	428.00
Total	**1,071.00**

Axis Bank has underwritten the entire debt amount of Rs. 514.00 Crore wherein PFS has participated upto an extent of Rs 100.00 Crore.

PFS Index of Exhibits for [redacted] with all the relevant supporting:

Sr.No.	Particulars
1.	Exhibit 14A - Justification of COD extension
2.	Exhibit 14B - Extract of Disbursement note for project progress
3	Exhibit 14C - Extract of Disbursement Note indicating PFS loan share

Exhibit 14A - Justification of COD extension

k. Concessionaire had submitted request for Interim **Extension of time** for completion of Milestone I by 230 days mainly due to delay in approval of estimates pertaining to shifting of electric utilities, delay in land handover in bypasses, delay in shifting of mobile towers and due to delays caused by villagers not allowing to enter into their land, the same was not recommended by the IE.
The Concessionaire submitted an EOT – II for a duration of **186 days** which was recommended by IE to NHAI for duration of **126 days**.

l. COD can still be achieved within the scheduled date if Concessionaire takes steps to make up the lag in the coming months. The Delay in finalizing weightages as per Annexure I of Schedule G, was issue in calculating physical progress till May 2018.

Exhibit 14B – Extract of Disbursement note for project progress

Lead Bank via email dated Sept 04, 2018 (attached with LCN at Annexure A) has further clarified that issue with respect to land was discussed in consortium meeting held at project site on August 06, 2018. Till now lenders have disbursed ~32% of their share. The project progress is ~28% as on date and Land availability is ~54% (~22 kms out of ~41 kms). On the request of the company, Lead Bank has decided to further disburse till ~50% of the facility. Further, Lead Bank is planning to have joint site visit and consortium meeting in December. Lead Bank has also informed that it will review the progress of the project before making any further disbursement over and above 50%. MoM of lenders meet is placed at Annexure G.

In view of the above, PFS may also consider disbursement only upto ~50% in line with Lead Bank and as confirmed by the Lead Bank in future. As instant disbursement is falling within 50% (40.05% post instant disbursement) it has been considered for processing for approval.

Feedback from monitoring unit via email dated November 14, 2018 is placed at Annexure F, mentioning that as per LIE report of Sept 2018, the construction progress is 30.34% against scheduled 60.67%. Borrower is unable to work on approx. 13.6 km (around 33%) out of approx. 40.9 km length due to reasons not attributable to the Borrower. Further, an EOT of 126 days has been recommended by IE to PD of NHAI, however, formal approval of the same is yet to be received from NHAI.

Security: PFS monitoring unit via email dated November 14, 2018 (Annexure F) has confirmed that security as applicable on date is complied.

Exhibit 14C – Extract of Disbursement Note indicating PFS loan share

2. Disbursement Details :

Particulars	Till Date of previous LCN		Present Request		Total after proposed disbursement	
	Rs Cr	% of Sanction	Rs Cr	% of Sanction	Rs Cr	% of Sanction
Disbursement by Consortium	108.82	36.39%	11.00	3.68%	119.82	40.07%
Disbursement of PFS	11.10	36.38%	1.12	3.67%	12.22	40.05%

PFS Index of Exhibits fo[redacted]with all the relevant supporting:

Sr.No.	Particulars
1.	Exhibit 15A - Board Minutes Dated 31 Dec 2018
2.	Exhibit 15B – Board resolution for power of CMD delegated to MD&CEO
3	Exhibit 15C - extract of disbursement note indicating Justification of disbursement
4	Exhibit 15D - extract of disbursement note indicating basis of borrower request
5	Exhibit 15E - extract of disbursement note JLF decision
6	Exhibit 15F - extract of note of approval for timeline extension
7	Exhibit 15F – extract of note of approval for timeline extension for PPA

Exhibit 15A - Board Minutes Dated 31 Dec 2018

Item no. 31.4 Proposal for Debt Financing upto Rs. 125 Crores to M/[redacted]

The Board was informed that the agenda for debt financing to M/s[redacted]as initially placed before the Board in 28th Board Meeting held on 21st June, 2010, which was deferred by Board. The agenda was again placed to the Board in its 30th Board meeting in which the same was again deferred for some more details and a presentation on brief highlights of the project.

The Board discussed in details various aspects of the project for debt financing upto Rs. 125 Crores to M/s[redacted]for setting up of 54 MW Bhasmey Hydro Electric Project on river Rangpo, East Sikkim District, Sikkim, as per details mentioned in the agenda note and after discussions, the Board passed the following resolutions:-

"Resolved that a Rupee Term Debt of Rs. 125 crores (Rupees One Hundred Twenty Five Crores) to M/s [redacted] for meeting part expenditure of the proposed implementation of Panan Hydro Electric Project (54 MW) on river Rangpo, East Sikkim District, Sikkim on the terms and conditions as mentioned in the agenda note, be and is hereby approved.

Further resolved that CMD or his authorized representative is authorized, to approve and amend general terms and conditions including special conditions - pre-commitment/pre-disbursement and other conditions of debt sanction as may be necessary in this regard in line with the spirit of Consortium financing with Lead FIs / Banks and to execute the loan agreements and other related agreements including security agreement and register the charge on assets with the Registrar of Companies and to take such other necessary actions including for assignment/agreement of assignment of assets of [redacted] to PFS' lenders or any other agreement in this regard."

Exhibit 15B – Board resolution for power of CMD delegated to MD&CEO

Minutes of the 52nd Board Meeting of PTC India Financial Services Limited (PFS) held on Thursday, 27th June, 2013 at 3:30 p.m. at Board Room, PTC office, 2nd floor, NBCC Tower, 15 Bhikaji Cama Place, New Delhi-110066.

659. Appointment of MD & CEO of the Company.

"Resolved that the resignation of Shri [redacted] as Managing Director of the Company be and is hereby accepted by the Board with immediate effect.

Further resolved that in term of Section 260 of the Company Act, 1956 Shri [redacted] be and is hereby appointed as Director on the Board of the Company as non rotational nominee Director of PTC with a designation of "Chairman" on non executive basis subject to the approval of shareholders in the ensuing AGM.

Further resolved that any Director/ Company Secretary of the Company be and is hereby authorized to place the proposal to shareholders in ensuing AGM for his appointment, as required, and also to execute, sign and file relevant forms and documents with the concerned Registrar of Companies and inform the Reserve Bank of India about his appointment and take further actions as may be necessary in this regard."

The Board welcomed Shri [redacted] as Chairman and Shri [redacted] resumed the Chair.

The Chairman stated that the office of the Managing Director may not be vacant since now onwards; delegation of powers of CMD would be exercised by the MD. The Board was of the view that since both the Whole-Time Directors had applied for the position of MD & CEO of the Company, therefore, it would not be appropriate to give the additional charge of MD & CEO to any of them. Chairman suggested that it will be prudent that if as an interim arrangement, PFS appoints Shri [redacted] Director (M&O), PTC, who has good track record in PTC as MD & CEO of PFS. After discussions, the Board unanimously decided that Shri [redacted] Director (M&O) PTC, may be appointed as MD & CEO of the Company for a period of three months or till a full-time MD & CEO is appointed, whichever is earlier, and further decided that he will exercise such powers which were earlier delegated to CMD from time to time and passed the following resolutions: -

"Resolved that pursuant to the provisions of Section 260, 269, 316 read with Schedule XIII and other applicable provisions of the Companies Act, 1956 and with the consent of all the Directors present at the meeting approval be and is hereby accorded for appointment of Shri [redacted], as Managing Director & CEO of PFS for a term of three months with immediate effect or date of joining of a full-time MD & CEO of PFS, whichever is earlier.

Further resolved that Shri [redacted] shall exercise the powers of MD as mentioned in the Companies Act, 1956 and other laws/ statutory guidelines applicable to the Company and those powers which were delegated earlier to CMD from time to time.

Further resolved that any Director/ Company Secretary of the Company be and is hereby authorized to place the proposal to shareholders in ensuing AGM for his appointment, as required, and also to execute, sign and file relevant forms and documents with the concerned Registrar of Companies and inform the Reserve Bank of India about his appointment and take further actions as may be necessary in this regard."

Exhibit 15C - extract of disbursement note indicating Justification of disbursement

*Current disbursement would be done subject to clearance/adjustment of overdue of PFS

5. **Compliance with disbursement conditions:**

The borrower has submitted a drawdown request dated March 19, 2015 attached as Annexure A for disbursement. LCN from the Lead Lender i.e. [redacted] is attached as Annexure B. The borrower has infused the required equity to avail the current disbursement. Lender's engineer certificate dated March 31, 2015 certifying that drawdown is reasonable and timely needed by the borrower to make the payments towards project cost is placed at Annexure C.

The Project has faced time and cost over-run due to various geological surprises (earthquake, flash flood) etc, revision in project capacity from 54 MW to 62 MW and also as the company had used funds in their 110 MW upstream project (being executed by one of their group companies) due to which the Lenders had stopped drawal from TRA. The matter was discussed between the Lenders consortium and the Borrower and subsequently the Borrower brought back funds back to the TRA and the same has been accounted for. The company has furnished Corporate Guarantee of Gati Group Company, M/s TCI Finance Limited as additional security till financial closure of cost over-run and has requested the Lenders to resume disbursement so that project activities can be carried forward. The Lenders have issued amendment to t&cs wherein additional disbursement conditions have been stipulated (PFS amendment note is attached as Annexure D). The amendment to existing loan agreement was executed on March 26, 2015.

Borrower is in compliance with additional disbursement conditions as per the revised loan agreement, except those mentioned below for which timeline may be extended for current disbursement:

Exhibit 15D - extract of disbursement note indicating basis of borrower request

7. **Comments and Recommendations:**

In the absence of LCN from lead bank, status of compliance with conditions precedent to subsequent drawdown cannot be ascertained. Based on the request letter by the borrower, PFS may consider for disbursement towards adjustment of PFS overdue, pending compliance of pre disbursement conditions viz, financial closure for COR, approval for enhanced capacity, Renewal of clearance for "Inter-State Migrant Workman (Regulation of Employment & Conditions of Service) Act, 1979" and other disbursement conditions such as CA certificate, LE certificate etc.

Current PFS overdue are Rs 2,70,18,942/- (till Sept 16, 2016). Accordingly, PFS may disburse Rs 2,70,18,942/- (Rupees Two Crore Seventy Lacs Eighteen Thousand Nine Hundred Forty Two only) on a gross basis towards adjust of its overdue, pending compliance with conditions precedent to subsequent disbursement as mentioned above.

Copy of last disbursement note is attached as Annexure D.

It is requested to kindly approve disbursement of Rs 2,70,18,942/- (Rupees Two Crore Seventy Lacs Eighteen Thousand Nine Hundred Forty Two only), pending compliance with conditions precedent to subsequent disbursement as mentioned above.

As per delegation of power, MD&CEO is authorized to approve disbursement, pending compliance of conditions precedent to subsequent disbursement, in the absence of LCN from lead bank, such as financial closure for COR, approval for enhanced capacity, Renewal of clearance for "Inter-State Migrant Workman (Regulation of Employment & Conditions of Service) Act, 1979" and other disbursement conditions such as CA certificate, LE certificate etc.
Since the instant note is for adjustment of PFS overdue only, same may be considered for approval.

Exhibit 15E - extract of disbursement note JLF decision

With a view to ensuring tangible action in the matter, JLF decided to hold its next meeting on the 14th February 2017 and advised the Company's officials to ensure presence of Shri[redacted], Promoter in the said meeting.

JLM also agreed to the request made by PTC Financial Services Ltd. for permitting adjustment of overdue IDC of the lenders against their undisbursed commitment.

The meeting ended with a vote of thanks to the Chair.

Exhibit 15F – extract of note of approval for timeline extension

The Company has asked for time till 30th November 2011 to comply with this PDC. [redacted] has agreed to grant this waiver to the Company.

Exhibit 15 G – extract of note of approval for timeline extension for PPA

- In case PPAs is not executed upto 30th November 2011, PFS/co-lenders shall charge additional interest of 1.00% p.a. payable monthly, over and above the applicable interest rate from the next day of the expiry of the above time frame till the condition is met on the outstanding loan.

VII. Report on Appointment for Mr. Ratnesh

Sr. No	Particulars	Date
1	Preliminary Findings sent to management	23 September 2022
2	Response to Preliminary findings	07 October 2022
3	Draft report	24 October 2022
4	Reponses to Draft Report	28 October 2022
5	Meeting for discussions on draft report	29 October 2022
6	Final Report	04 November 2022

While issuing the draft report and final report, the responses received from [redacted] (hereinafter referred to as management / PFS / Company) were considered. Changes, as required, have been incorporated for the management responses in this report.

The management response to the draft report are reproduced separately at Annexures C1 (i) to C1 (ii), D1 (i) to D1 (v), E1, F1 (i) to F1 (iv), G1 (i) to G1 (xiv), H, I

It maybe pertinent to point out that many of the responses of the management (for which, external professional assistance was sought without our approval by sharing our preliminary findings/Draft report with them which we consider highly unprofessional) were repetitive, critical, and harping on the point that the verification was beyond scope or beyond the period covered in the Engagement Letter (EL). Our view in the matter is that though an initial period was mentioned in the EL, we have requested for documents for the earlier / later period/s and have included our findings on the same to the extent these documents were made available.

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	Statement of Marks M. Com, Statement of Marks B. Com, CBSE Class XII Certificate.		
13.	Email dated 22nd November 2021 from [redacted] Sharma, [redacted] to [redacted] him that the joining is treated as incomplete and not conforming to the joining prerequisites as per Appointment Letter and therefore further processing of joining stands on hold.	Ex-L	70
14.	Email dated 24th November 2021 from [redacted] to [redacted] being the reply of email dated 22nd November 2021.	Ex-M	71
15.	Email dated 25th November 2021 from [redacted]	Ex-N	73
16.	Email dated 13th December 2021 from [redacted] to [redacted], NTPC informing her that application from Mr. Ratnesh was not received through proper channel and no objection certificate issued by NTPC is not available, the joining of [redacted] is kept in abeyance and no further action is being taken in this regard.	Ex-O	74
17.	Email dated 18th December 2021 from [redacted] Sharma, [redacted] forwarding him the email dated 13th December 2021 sent to NTPC.	Ex-P	75
18.	Email dated 24th December 2021 from [redacted] GM(HR) NTPC to [redacted] confirming that [redacted]oined back NTPC in response to [redacted]mail dated 23rd December 2021.	Ex-Q	76
19.	Email dated 3rd January 2022 from [redacted] to PFS informing that [redacted] is an employee of NTPC as on 24th December 2021.	Ex-R	77
20.	Company Secretary email to Independent Directors informing that [redacted]as joined back NTPC.	Ex-S	78
21.	Company Secretary email of the agenda and invitation for 144th Board meeting to the Board of PFS on 14th January 2022	Ex-T	80
22.	[redacted] email dated 16th January 2022	Ex-U	81
23.	Company Secretary email dated 17th January 2022	Ex-V	82
24.	[redacted] email dated 18th January 2022	Ex-W	83
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31.	Extract of PFS seeking time to submit the report. SEBI desired for VC of meetings and other minutes.	Ex-AD1 to Ex-AD2	98
32.	PFS Submitted documents as desired by SEBI in email dated 27th January 2022	Ex-AE	100
33.	PFS Point wise reply	Ex-AF1 to Ex-AF2	101
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35.	PFS submitted documents on 3rd February 2022	Ex-AH	109
36.	PFS Submitted Action Taken Report	Ex-AI	110
37.	Extract of SEBI Email 16th February 2022	Ex-AJ	111
38.	PFS Reminder letter to SEBI 24th February 2022	Ex-AK	112
39.	Extract of SEBI Email 2nd March 2022	Ex-AL	112
40.	Extract of ASG Opinion report	Ex-AM	113
41.	Extract of Conclusions and Findings of [redacted]	Ex-AN	116
42.	Extract of 138th Board Meeting dated 28th August 2021	Ex-AO	117
43.	Extract of discussion with [redacted] in PTC RMC Meeting	Ex-AP	118
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A. Methodology followed by CNK

a) Review of employee file with respect to [redacted] (Whole Time Director Finance and CFO) (as per details provided by PFS);

b) Review of points highlighted in the resignation letters by Ex-Independent Directors;

c) Review of points highlighted by the Current Independent Directors;

d) Review of legal report issued by ASG on the joining process of [redacted]

e) Review of Report issued by KPMG in January 2022 on the joining process of [redacted]

f) Review of Risk and Management Committee Report (RMC) dated 23rd May 2022 as commissioned by the Board of Directors of PTC;

g) Review of all the communication relating to the appointment of [redacted] (*as made available and oral confirmation by the company that all relevant communication was provided*);

h) Review of communication and points raised by SEBI (*from January 2022 till 31st March 2022 – subsequent communication was not made available*)

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B. Sequence of events in case for the appointment of Whole Time Director (Finance) & CFO

I. During the tenure of then Managing Director and CEO [redacted] was the Whole Time Director (Finance) & CFO;

II. After the superannuation of Managing Director and CEO [redacted] on 18th September 2018, [redacted] has been given the additional charge of MD &CEO, Whole Time Director (Finance) and CFO;

III. In 32nd meeting of Nomination and Remuneration Committee (NRC) held on 3rd October 2018, the Committee was of the view that with the appointment of [redacted] as MD & CEO (from his earlier position as Director (Finance), and on the same date, appointment of [redacted] as CFO, the position of Director Finance stood vacated, and immediate steps should be taken to fill-up the position of Director (Finance);

IV. In 34th Meeting of NRC held on 17th March 2019, an agenda note for appointment of Executive Director/ EVP (Finance) of the Company along with the draft job description was placed to the Committee. The Committee was informed that the Board of the Company in its 109th meeting held on 12th November 2018 decided as under: -

"The Board noted the same. With respect to the actions for filling up the position of Director (Finance) & CFO, the various aspects were discussed by the Board including the identification of a suitable candidate for the post and its requirement. After detailed discussions, the Board desired that the Nomination & Remuneration Committee may consider to issue the advertisement for the position of Executive Director Level / EVP and in order to attract good candidates a clause be inserted in the advertisement that based on her/his performance there exists possibility of further elevation to board level position."

V. In the 35th Meeting of NRC held on 20th June 2019. the Committee was informed about the job description approved by the Committee for the position of ED/EVP – Finance. It was further informed as per the decision of the Committee [redacted] was engaged in identifying a suitable candidate for the post. The

Committee was also informed that five candidates fulfill the criteria of JD, and these four candidates are recommended by IRIS. The Committee reviewed the list of the candidates attached to the agenda and noted the management's views on the candidates and proposal for engaging a consultant of repute to identify the suitable candidates. After detailed discussion, the Committee decided that [redacted] may be engaged as a consultant out of the list of the consultants proposed in the agenda note. The Committee further desired that JD may be reviewed by Egon considering the nature of business of PFS and market conditions and Egon may also take the views of the Committee members on JD and on finalization of the same it may be circulated to the Committee members for their review;

VI. In the 41st Meeting of NRC held on 9th March 2021, the Committee noted that [redacted] Director (Operations) will be superannuating on 09th July 2021, and the position of Director (Finance) is already vacant since [redacted] was appointed as MD & CEO. It was further discussed that NBFCs are facing challenges on various fronts and MD & CEO had also desired accretion of senior level team members in the Company. The Committee was of the view that immediate steps should be initiated regarding recruitment for these two posts i.e., Director (Finance) & CFO and Director (Operations) at the earliest. It was also desired that suitable advertisements, after inputs from PFS management, shall be placed in newspapers/ PTC/PFS websites by 31st March 2021. The Committee further desired that the same process may be followed for the selection of candidates for the above as was adopted earlier by PTC HR in case of appointment of MD & CEO;

VII. In the 42nd Meeting of NRC held on 21st June 2021, The Committee was informed about the action taken report as per details mentioned in the agenda note. With respect to the vacancies of Director (Finance) & CFO and Director (Operations), the Committee noted that as per ATR it is mentioned that the process is being led by PTC. The Committee was of the view that the vacancies are of PFS, therefore, the HR Department of PFS should have taken the initiative and followed up with PTC for all to complete the actions directed by the N&R Committee and the Board. [redacted] (AVP-HR), PFS informed

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the Committee that in the earlier appointments of WTDs and MD&CEO, the entire selection process was carried out by the PTC itself and PFS HR was required to publish the advertisement in the newspaper and website of PFS only. The Committee was of the view that even in the earlier appointment, the appointment was made by the NRC and Board of PFS, the NRC at its sole discretion may engage anyone internal at the group level or some outside agency. The Committee felt that as much as the requirements are for PFS and directions are from the NRC of PFS, the HR department of PFS must actively coordinate with the HR head of PTC to complete the recruitment in a specific time frame. As per request, [redacted] (HR Head - PTC), attended the meeting. [redacted] stated that by the end of June 2021, the advertisement may be ready and the entire selection process including the screening and the interview may be completed by the end of July 2021 but not later than the middle of August 2021. The Committee desired that as the advertisement is to be published by 30th June 2021, the meeting of the NRC may be called before that to finalize the advertisement. The Committee further desired that while finalizing the advertisement, the compensation package and terms to be offered to the incumbents may be made suitably liberal, if required, to attract good candidates. The Committee wishes that further actions may be taken without any further delay;

VIII. In the 43rd Meeting of NRC held on 17th July 2021. PTC HR made a presentation on the detailed job description and advertisement of Board level positions in PFS during the meeting. The Committee was informed that the draft of Job Descriptions for both positions i.e., Director (Operations) and Director (Finance) was discussed by the PTC HR team with PFS's management, and their inputs incorporated where feasible;

IX. NRC and Board of PFS in its meeting held on 9th March 2021 noted that Director (Operations) was going to superannuate on 9th July 2021 and NRC decided that advertisement to be issued by 31st March 2021 for the post of Director (Operations) and Director (Finance);

X. On 20th July 2021, Chairman PFS wrote letters to CMDs of NTPC, Power Grid, NHPC, PFC and REC about said vacancies attaching therewith the details of Job Description. Eligibility and application format

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recommended by NRC with last date of submission of application as 6th August 2021;

XI. On 13th August 2021, [redacted] shared the presentation of the responses received for the candidature of Director (Finance) and Director (Operations) and essential screening parameters of the post of Director (Finance) and Director (Operations) to the Independent Directors. **Exhibit Ex-A**

XII. On 28th August 2021, the interaction was held with the candidates and NRC recommended [redacted] for the post of Director (Finance) & CFO and [redacted] for the post of Director (Operations) after proper check of past track record and experience, qualifications;

XIII. On 7th September, PFS had issued an appointment letter to [redacted] and the same was accepted by him on 9th September, 2021; **Exhibit Ex-B**

XIV. On 13th September 2021, [redacted], Head HR PTC, shared the complete docket of [redacted] to Company Secretary. In the brief writeup on Roles and Responsibilities of WTD Positions, it is clearly mentioned that Deputation/Lien for applicants from PTC and its promoter companies is allowed; **Exhibit Ex-C**

XV. On the same day, the 74th Audit Committee meeting held and the proposal of Mr. Ratnesh to consider and appoint him as Whole Time Director and CFO was placed, and the Audit committee recommended his appointment as Whole Time Director and CFO. Also, the company has informed the Exchanges as per the SEBI LODR about the joining of [redacted] and [redacted] on 13th September 2021;

XVI. On 14th September 2021, the PFS informed the SEBI about the appointment of Director (Finance) and Director (Operations); **Exhibit Ex-D**

XVII. Addendum to the appointment letter issued to [redacted] was also issued on 16th September 2021 under the signature of Chairman, PFS. **Exhibit Ex-E.** This addendum, however, was not signed by Mr. Ratnesh;

XVIII. Email dated 20th October 2021 from [redacted] to Directors regarding joining of 2 WTDs shortly and [redacted] email addressing to [redacted] stating "we will be providing you with all the related documents post handling the respective joining formalities as and when both the WTDs join in the next few days. We will keep you posted. Meanwhile, you may like to put in place logistics / IT / workspace arrangements etc. for their enablement on joining"; **Exhibit Ex-E1**

XIX. [redacted] submitted his joining report to the Chairman and the same was accepted by Chairman, PFS on 29th October 2021; **Exhibit Ex-F**

XX. A meeting of the 75th Audit Committee and the Board for the adoption of quarterly results was scheduled to be held on 8th November 2021. As [redacted] appointed as Director, therefore in terms of the provisions of the Companies Act, 2013, notice of the meetings should be sent to him and;

XXI. When the same was communicated by Company Secretary to the MD & CEO and it was informed by the Company Secretary to the MD & CEO (vide email dated 3rd November 2021) that in such a case the meeting shall be considered invalid. The email of the CS stated that ***"Further as desired by you earlier,*** *we have not sent the notice of the meeting of the Audit Committee and the Board to* [redacted]*, therefore, the agenda of the Board and Audit Committee meeting may also not sent to him."* In spite of this, the MD & CEO directed the CS not to send the notice to Sh. Ratnesh; **Exhibit Ex-G.**

XXII. In the 75th Audit Committee and Board meeting scheduled for 8 November 2021, Directors highlighted the issue for not giving notice of meeting to Mr. Ratnesh and the meeting was deferred adjourned and was rescheduled to next day on 9th November 2021 and Ratnesh had sought leave of absence; **Exhibit Ex-H**

XXIII. Mr. Ratnesh vide email dated 08th November 2021 addressed to Mr. Rajib Kr. Mishra seeking time to complete the required documents and formalities upto 22nd November 2021; **Exhibit Ex-I**

XXIV. On 8th November 2021, the management had received the ASG Report with respect to the appointment of [redacted] and it is mentioned that the joining process of Mr. Ratnesh as Director (Finance) remains incomplete and non-compliant, as of now;

XXV. On 17th November 2021, [redacted] had mail to [redacted]

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informed that he already informed that would join the duties on or before 31st October 2021 and shared the copy of office order dated 28th October 2021 releasing from NTPC Limited and also asked for any other administrative and joining formalities which needs to be completed; **Exhibit Ex-J**

XXVI. [redacted] vide email dated 18th November 2021 again shared the copies of qualification certificates and again asked for the pending details to Mr. Surinder Sharma; **Exhibit Ex-K**

XXVII. [redacted] vide email dated 22nd November 2021 informed that the candidate is required to submit all the pre-requisite documents including relieving from the parent Organization as per the Appointment letter. However, the requisite documents including the unconditional Relieving letter including Vigilance clearance has not been submitted till date and the joining is treated as incomplete and non-conforming to the joining prerequisite as per Appointment letter and therefore further processing of joining stands on hold; **Exhibit Ex-L**

XXVIII. On 24th November 2021, [redacted] replied on [redacted] Email and said that he has been requesting repeatedly to inform details of any formalities, which need to be completed. However, no reply to his emails/discussions has been forthcoming from their side. He may submit that the issue of joining is being dealt with separately also and this statement is anomalous and at variance from factual position; **Exhibit Ex-M**

XXIX. On 25th November 2021, [redacted] replied to the email stating that the joining formalities stand incomplete due to non-submission of the prerequisite documents and completion of other formalities as mentioned in the appointment letter within the stipulated timeline which also includes the extended time sought by you vide email dated 8th November 2021 which ended on 22nd November 2021. Also, the non-disclosure of the conditions mentioned in your relief letter such as provisional release and retaining lien with the present employment tantamount to concealing facts while reporting for joining on 29th October 2021; **Exhibit Ex-N**

XXX. Further, vide email dated 13th December 2021 by [redacted]

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[redacted]t NTPC, regarding the matter related to [redacted]it was mentioned that his application for the position was not received through proper channel. Moreover, as per records, they do not have the No Objection Certificate (NOC) issued by NTPC which was to be produced at the time of interview or latest at the time of appointment. Because of the pendency of documents, his joining is kept in abeyance; **Exhibit Ex-O**

XXXI. On 18th December 2021, [redacted]nforme[redacted] about his email to Nidhi Saini at NTPC; **Exhibit Ex-P**

XXXII. On 24th December 2021, [redacted] from NTPC confirmed to Harish Saran at PTC India Ltd that [redacted]ined back NTPC; **Exhibit Ex-Q**

XXXIII. On 3rd January 2022, [redacted] informed the CS and MD of PFS that [redacted]s joined back NTPC; **Exhibit Ex-R**

XXXIV. On 4th January 2022, the CS of PFS communicated the same to independent directors; **Exhibit Ex-S**

XXXV. On 14th January 2022, Company Secretary emailed the agenda and invitation for 144th Board meeting to the Board of PFS; **Exhibit Ex-T**

XXXVI. On 16th January 2022, [redacted] replied and asked Company Secretary to send the notice of the meeting to [redacted]s well since he has been appointed as director and also informed to the stock exchange. He further mentioned that being board appointed and having reported to exchange, his cessation if any from the board has to be through Board approval. This is a basic corporate governance and has been made abundantly clear by directors, including ruling from the chair of an earlier meeting which previously on this ground had to be discontinued. It is a matter of considerable disquiet that despite all this, a board meeting is again proposed to be convened without a notice to Mr. Ratnesh, by brushing director's observations. Needless to add all background papers on the Ratnesh matter including correspondence from Shri Ratnesh to PTC/PFS will have to be placed before a validly convened Board by way of memorandum from PFS management to enable the board take a decision; **Exhibit Ex-U**

XXXVII. On 17th January 2022, Company Secretary replied back on the above email and mentioned that as informed by PTC-HR [redacted] has joined back NTPC and an official cannot be in whole time employment at two places at same time. He further mentioned that PFS has requested from PTC a detailed note [redacted] vide email dated 13th January 2022 as the entire process related to the appointment and joining of the WTD's were handled by PTC and the detailed note has been circulated to the board members vide email dated 16th January 2022 for the kind consideration of the board members which may be deliberated in the ensuing meeting of the board; **Exhibit Ex-V**

XXXVIII. On 18th January 2022, Mr. Santosh Nayar replied back and said that it appears from the correspondence of PTC to [redacted] circulated that he was unilaterally terminated. How a director appointed by PFS board could be unilaterally terminated by parent co HR with no intimation to PFS board from PFS management? Can PTC as parent company take decision on PFS whole time director after he has already joined and notice of the meetings issued to him by PFS management? He also mentioned that there is no agenda from PFS management in this matter. PFS management cannot walk away from their responsibility towards the board and its shareholders. It is not possible to discuss this matter in the ensuing board meeting as the material sent is completely inadequate; **Exhibit Ex-W**

XXXIX. On 19th January 2022, Mr. Thomas Mathew replied on the above email and agreed with the points raised [redacted] He mentioned that the notice for the Board meeting on 22nd January 2022 is not served on all directors and hence the meeting is irregular and invalid. There is also no agenda for the Board meeting to discuss this matter nor any agenda regarding various serious lapses and Governance issues in the company in which IDs have been raising for long in our several emails and this in unacceptable; **Exhibit Ex-X**

XL. On 19th January 2022 the resignation of 3 Independent directors (IDs) was received and intimated to Stock Exchanges; **Exhibit Ex-Y**

XLI. On 20th January 2022, SEBI sent email to PFS with reference to the resignation of IDs and highlighted the multiple issues of corporate governance raised by the IDs including that the company has not sent notice dated 14th January 2022 to all directors for the board meeting scheduled on 22nd January 2022 and that the agenda does not contain any agenda addressing corporate governance concerns raised in Board meeting dated 5th August 2021; **Exhibit Ex-Z1**

XLII. On the same day, assistant CS of PFS replied on the email and informed that the notice of the meeting was not sent to [redacted]s he has joined back NTPC and that the concerns on corporate governance raised on 5th August 2021 were already addressed on that same day and duly recorded in minutes; **Exhibit Ex-Z2**

XLIII. On 21st January 2022, SEBI sent email that the response provided by PFS is very unsatisfactory since as per previous announcement [redacted]ad been appointed on 14th September 2021 and there is no information / announcement pertaining to his resignation made by the company to the exchanges; **Exhibit Ex-AA1**

XLIV. SEBI also further emailed on the same day and asked to provide the chronology of events starting from appointment of [redacted] to present day and the agenda of the Board meeting scheduled on 22nd January 2022; **Exhibit Ex-AA2**

XLV. On same day, the assistant CS of PFS shared the agenda of the meeting with SEBI; **Exhibit Ex-AA3**

XLVI. On same day, SEBI sent further email asking for explanation on validity of the Board meeting to be held on 22 January 2022 since as there were no IDs on the Board, there would be no quorum as per Regulation 17(2A) of SEBI Listing Regulations; **Exhibit Ex-AA4**

XLVII. On 22nd January 2022, the assistant CS of PFS replied to SEBI stating Article 84 and 87 of the Articles of Association of the company and that company will file an application with SEBI seeking exemption from Regulation 17(2A) of SEBI Listing Regulation; **Exhibit Ex-AB1**

XLVIII. On same date, SEBI directed company to file an Action Taken Report (ATR) within 4 weeks of receipt of this email; **Exhibit Ex-AB2**

XLIX. On same date, the assistant CS of PFS filed the application for seeking exemption from quorum requirement in accordance with Regulation 17(2A) of SEBI (LODR), 2015; **Exhibit Ex-AB3**

L. On 24th January 2022, SEBI asked the company to submit point wise reply to the resignation letters of IDs by 27th January 2022; **Exhibit Ex-AC1**

LI. On the same day, SEBI intimated that exemption request of PFS dated 22nd January 2022 would be taken up only after the company submits the aforesaid ATR to SEBI; **Exhibit Ex-AC2**

LII. On 27th January 2022, PFS, citing the Covid pandemic in Delhi, requested SEBI for granting time to submit the point wise reply for the matters raised by the IDs; **Exhibit Ex-AD1**

LIII. On same day, SEBI advised the company to provide Minutes and video recordings of Board, Audit Committee, Risk Management Committee (RMC) and Nomination and Remuneration Committee (NRC) meetings from 2021 till date, background note of the legal opinion sought for Mr. [redacted] Minutes of Business Committee, Board, Audit Committee where [redacted] was taken up and Forensic Audit Report (FAR) dated 26th November 2018 commissioned by the company on NSL Loan account; **Exhibit Ex-AD2**

LIV. On 1st February 2022, PFS shared the information to SEBI as per mail dated 27 January 2022 via link on SharePoint; **Exhibit Ex-AE**

LV. On 2nd February 2022, PFS submitted the point wise reply to SEBI on the issues with respect to Mr. Ratnesh; **Exhibit Ex-AF1 to Ex-AF2**

A point in the reply was that "Upon receiving written legal opinion from [redacted] Addl. Solicitor General, Government of India that the joining process remained incomplete, and [redacted] having admitted to this position, the company had decided not to invite him for the board meeting".

From the documents verified by us we believe that the reply is not in line with the fact that on 31 October 2021 itself, the notice for the meeting to be held on 8 November 2021 was sent to the directors (except [redacted] The ASG opinion was received subsequently on 8 November 2021.

- **Another point in the PFS reply was "Despite [redacted] having reverted to his parent employer i.e. [redacted] the Resigning IDs continued to raise the issue of his not being invited to the Board meeting ..."**

  From the documents verified by us, we find that the Independent Directors raised the issue in the 142nd Board Meeting held on 8 th November 2021 at which time [redacted] had not joined back [redacted]

- **Another point in the reply was that "An offer letter was issued on 7th September 2021 by the Non-Executive Chairperson even before the same was approved by the Board of PFS".**

  From the documents verified by us, we find this incorrect since the Board in its 138th meeting held on 28th August 2021 has authorized Chairman to issue the offer. It was also resolved that the Chairman, PFS be and is hereby authorized to take further

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necessary actions as may be required for giving effect to the appointment of [redacted] Director (Finance) & CFO including issue of appointment letter and / or offer letter on behalf of the Company.

LVI. On 2nd February 2022, SEBI asked relevant documentation enclosed with letter dated 5th November 2021 from [redacted] to [redacted] ASG seeking legal opinion on appointment of [redacted] and background note for legal opinion dated 12th May 2021 from [redacted] in the matter of [redacted] along with relevant documentation enclosed in the background note; **Exhibit Ex-AG**

LVII. On 3rd February 2022, PFS submitted the following documents with respect to [redacted] to SEBI **Exhibit Ex-AH:**

a) PFS Annual report 2020

b) PTC HR Policy dated 24th November 2020

c) Inviting Application for Directors in PFS

d) 44th Nomination and Remuneration Committee minutes dated 13th August 2021

e) 138th Board minutes dated 28th August 2021

f) Joining report of [redacted] dated 29th October 2021

g) Appointment letter of Mr. Ratnesh dated 7th September 2021

LVIII. On 8th February 2022, PFS further submitted to SEBI the Action Taken Report related to [redacted] and other matters **Exhibit Ex-AI** (only regarding Mr.Ratnesh included);

LIX. On 16th February 2022, SEBI asked for the following documents:

a) Copy of advertisement pertaining to vacancy of Director (Finance) and Director (Operations) in PFS,

b) Report of committee of IDs on the issue of [redacted] that was discussed in Board Meeting dated May 17, 2021, and

c) Fraud Monitoring Policy, 2018 of PFS. **Exhibit Ex-AJ**

LX. On 24th February 2022, assistant to CS requested SEBI for expeditious consideration of application dated 21st January 2022 filed by PFS seeking exemption from the Regulation 17(2A) of SEBI (Listing Obligations and Disclosure requirements), Regulations, 2015; **Exhibit Ex-AK**

LXI. On 02nd March 2022, SEBI, with reference to emails dated 22nd January 2022, reminder letter dated 24th February 2022 for seeking exemption from Reg. 17(2A) of SEBI (LODR) Regulations, 2015 and ATR dated 08th February 2022, stated that resignation of all IDs is an extraordinary circumstance which highlighted that the affairs of the company were not

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managed properly and further, ATR dated 08th February 2022, fails to satisfactorily address the concerns pertaining to corporate governance and reiterates the stand of the management without providing any new information in the matter. Considering the severity of the issues highlighted by IDs and ex-chairman, the request for conducting board meeting without an ID is not acceded to; **Exhibit Ex-AL.**

C. Summary of Observations from opinion from ASG dated 8th November 2021 (Exhibit Ex-AM) and KPMG report (commissioned by PTC) dated January 2022 with regard to the appointment of Mr. Ratnesh for the post of Director (Finance) (Exhibit Ex-AN)

I. ASG Opinion

a) The Board of PFS has authorized and sanctioned positions of 2 additional executive whole time Directors. These positions are of Director (Finance) and Director (Operations). The positions were lying vacant since September 2018 and July 2021 respectively;

b) The Board of Directors of PTC Financial in its meeting dated 28th August 2021resolved to fill up the 2 positions of whole-time director viz. Director of Finance and Director of Operations;

c) There are compliances set out as per internal guidelines with respect to a director joining PTC Financial Services Ltd. The same are mentioned in HR Manual;

d) SEBI guidelines/notification with regard to appointment of new directors is as follows:

The following events/information shall be disclosed by the listed entity without any application of guidelines of materiality as soon as reasonably possible but not later than twenty-four hours from occurrence of event or information: (23) change in directors, key managerial personnel (Managing Director, Chief Executive Officer, Chief Financial Officer, Company Secretary etc.), Auditor and Compliance Officer of the Sponsor.

e) It is thus seemed that SEBI has yet to be informed as regards to new appointment;

f) On the basis of the record and documents as made available, it prima facie appears that the joining process of [redacted]s Director Finance remains incomplete and non-compliant, as of now. The aforesaid opinion is based on documents on record made available as also discussions and conferences with the briefing counsel. The opinion is confined to limited query as posed & sought for. All just exceptions reserved.

CNK Observations on ASG Opinion

The management received opinion of the [redacted] on 8th November 2021, which was presented to the Board. Further, the opinion seems to have been given only based on limited documents made available to the ASG and discussions with the briefing counsel.

In our view, the aforesaid opinion is based on limited or selective documents made available and discussions and conferences with the briefing counsel and confined to the limited query as posed and sought for. It does not seem to cover the various aspects of [redacted] being appointed as Director (Finance) on 7th September 2021, and not being allowed to attend any meetings, forcing him to return to [redacted] The lack of governance in not following instructions of the Board, not intimating regulators in time, does not have been placed before the ASG for the purpose of framing his opinion. Hence the opinion needs to be considered in the light of the limited facts and documents provided and cannot be regarded as a blanket approval of the position taken by the management.

II. **KPMG Report**

a) Applications are allowed from the open market to ensure that there are relevant profiles for the positions;

b) The position must be shared with Recruitment Consultants and third parties to ensure that the 'passive' talent pool can also be tapped into;

c) The position must be opened for at least 30 days to 45 days to ensure that suitable candidates can apply for the position;

d) Due relaxations are given to internal candidates to promote a culture of performance driven progression;

e) A baseline number of applications are received per position to ensure diversity. There is a due skill matrix created to ensure that the company can identify the technical and behavioral competencies and skills required from the candidates;

f) The hiring, assessment and selection happens in an independent manner with no conflicts of interest, for this the Board and the NRC need to conduct a committee of experts with the desired skill sets to evaluate the candidates in uniformly;

g) Maintaining Arm's Length between PTC India Limited and the Company to

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ensure that the hiring process is devoid of any influence;

h) Scoring checklists and evaluation parameters need to be defined concretely, to ensure that the same yardstick is used for both Private Sector and Government' or PSU Employees Hiring through consensus and sign-off from the immediate Reporting Manager on the incumbent to be hired;

i) Process is followed including and not limited to - on time collection of documents, detailed job description creation, no intermediate changes to requirements and qualification criteria post sign off on hiring guidelines etc;

Note: The gap analysis mentioned for the process assessment, has been arrived at after referring to the Internal HR policies, Board approvals and inputs.

<u>CNK Observations on KPMG Report</u>

The management has received the [redacted] January 2022. It has not been presented to the Board. The sequence of events for appointment of Mr. Ratnesh does not seem to have been considered and there are no comments on the same in the report. It seems that the scope of the KPMG assignment was limited to review of the process of appointment of WTD based only on documents submitted by the company with no independent verification carried out. Also, they were appointed by PTC, the holding company of PFS, and there was no information given or shared with the Board of PFS for the same. In view of this, therefore, the report does not seem to have considered points like whether notices of the meeting of the Board and Audit Committee was issued to [redacted] in the capacity of Director Finance & CFO (*Also refer comments of the current independent directors and members of PTC RMC for the same – page 24 onwards of this report*)

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D. Extracts from observations of Ex-independent Directors w.r.t to Director Finance and [redacted]as per resignation letter dated 19th January 2022 (extracts)

- **Background of appointment of Director (Finance) and CFO:**
[redacted]ad been appointed by the Board as Director (Finance) & CFO after following the Board run process. The current Managing Director did not allow him to join and function as Whole Time Director (Finance) & CFO, although he had already joined the Company vide his joining report dated 29th October 2021. The Management had also informed the stock exchanges suitably in September on his acceptance of the offer;
- **Comments of Independent Directors on ASG Opinion Report dated 08th November 2021**
In this context, an opinion was taken from Additional Solicitor General ("ASG"), without informing the Board. This opinion mentions that joining process of [redacted]s incomplete. It is pertinent that the opinion does not dispute the fact that [redacted]had joined the Company and same is informed to the as per the board resolution And informed to the stock exchanges. Nor does it say that he cannot function as a director on the Board pending the completion of this joining process. Regrettably, the Independent Directors were not given the briefing note given to the ASG even after we requested that this be provided to us. Thus, we do not know if the facts were properly placed before the ASG including the views of[redacted]. We also do not know the exact queries and factual background placed before the ASG for his opinion. Repeated requests for information regarding his status were all met with silence. However, on our insistence he was invited for the Board meeting on the 9th of November and copied on the relevant circular resolutions on the 8th. However, this did not happen in the subsequent meeting/Circular Resolutions;
- **Hiding of information from Board**
Only on 10th January 2022 we were informed by the Company Secretary that[redacted]had re-joined NTPC Limited ("NTPC") on 6th December 2021. No explanation was given as to why he re-joined NTPC and the circumstances that led to his returning to NTPC. Moreover, it was alleged that he withheld the fact that he had come from NTPC on lien. If this was indeed so it is not clear why this fact was not placed before the Board for a decision on the further course of action. This assertion does not also tally with the facts that we have informally ascertained. As has been implied in the same email the fact that he came on lien is mentioned in his relieving letter issued by NTPC. If so, how did he join without sharing his relieving letter. We

are unfortunately not able to come to any definitive conclusion on this issue as the management had steadfastly refused to share all relevant information with the Board, though repeatedly requested by all the Independent Directors;

- **Management is keen to run the company with one Whole time Director**
  It is pertinent to add that the Company was functioning for more than two years with only two full time Directors against the three authorized positions. The second Director had also retired and management appeared to be keen to run the company with one. For a listed NBFC in the business of lending, the Directors felt that this was fraught with risk;
- **Making the NRC dysfunctional**
  The Chairman NRC, [redacted] had requested for an NRC meeting to be held after the management repeatedly did not heed requests to convene one. This was done as the company was in grave danger of violating certain timelines under LODR. He was then requested on behalf of the Chairman to postpone it by a few days ostensibly to enable the management to include some agenda. When this was acceded to, the Chairman PTC promptly withdrew the nomination of Ms. Renu Narang to the PFS Board. This led to the NRC becoming dysfunctional which appeared to be the intention. Mr. Nayar pointed this out to Chairman PTC/PFS the same day - December 11th. Even after that no corrective action was taken. On December 31st a circular resolution was sent out. However, as it was severely defective it could not be approved. The NRC remained dysfunctional till the time we all resigned.

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E. **Extracts of comments of 2 Independent Directors and members of the PTC RMC, [redacted] and [redacted] on the draft report of Risk Management Committee of PTC on governance issues arising out of resignation letters of independent directors**

- It will be noted that PTC India Financial Services Ltd. (hereafter referred to as PFS) is a listed, systemically important NBFC. As such it is essential that the company is appropriately staffed by professionals including whole time directors so that the various functions are suitably attended to and there is a proper internal framework of checks and balances for management decision-making;
- This issue has been flagged by the Independent Directors (hereafter referred to as IDs) and the Chairman's Draft Report refers to the same in para 7 (b) and Annex 15 of Chairman's Draft Report. It is important to note that the vacancy in the position of Whole Time Director (WTD) arose in 2018, but the management has failed to take positive action to fill this critical vacancy for a period of nearly 3 years. Annex 15 records that a direction to that effect was given by the NR Committee on 18th November 2018;
- In our view, this constitutes a deficiency in compliance with the directions of a statutory committee of the Board. It can undoubtedly be stated that this is a small transgression and more in the area of operations. However, this failure has to be viewed in conjunction with a series of events which are noted hereunder which point to a culture of non-compliance. It also needs to be viewed in the perspective of the cascading impact it has had at subsequent times, because it is this prolonged vacancy and continued delays even after March 2021 that resulted in the decision to amend the original NR Committee approach of calling for applications for WTD & CFO through a restricted process rather than through open advertisement. Incidentally it may be mentioned that the matter is still pending as at date;
- The next 10 paragraphs (para 7 to 16 of Chairman's Draft Report - which constitutes nearly half the volume of the Chairman's Draft Report report), go into great detail about the procedure followed by the NR Committee, the handling of the matter by ED HR of PTC, determination of cut-off age of candidates, receipt of application, submission of papers by the selected candidate etc. There are certain significant omissions of

facts which were brought out in the interaction with [redacted] (then member NRC and director of PTC), an[redacted] However, at this stage we do not wish to get into this aspect since in our view the entire narrative in these paragraphs distracts from the core issue;

- In earlier meeting of the RMC, and in a subsequent letter addressed to the chairman RMC, [redacted]as already elaborately stated the reasons why this sort of post-mortem of the process adopted by the NR Committee is irrelevant to the issue before the RMC in the facts and circumstances of the case. The Chairman RMC has not referred to this discussion in the RMC and is apparently not convinced with the approach suggested by[redacted]He has however annexed as Annexure 21 Mr. Gokhale's letter dated is apparently not convinced with the approach suggested by Mr. Gokhale. He has however annexed as Annexure 21 Mr. [redacted]ter dated (22nd April 22) but has cited it in an entirely different context. Therefore, the relevant part of the letter is reproduced hereunder:
- The issue before us is clearly that a certain decision was taken by the NR Committee of PFS and adopted by the Board. The issue that we are concerned with is whether the management followed the decision of the Board. A key feature of our entire corporate governance structure is that the management of a company functions under the supervision and direction of the Board. Assuming for a moment that the appointment was not appropriate or was flawed for any reason whatsoever; the appropriate step for the management to take is to draw the attention of the Board to the deficiencies of irregularities, illegalities, if any, about any decision of appointment made by the Board. It does not lie upon any individual be it the chairman or the managing director to individually conclude that a particular decision suffers from such irregularity etc. and therefore it need not be adhered to. If every decision of the Board were to be subject to such interpretation, it would play havoc with the entire corporate governance structure;
- Therefore, the two aspects to be examined are - **whether [redacted] was duly appointed as WTD and CFO by the Board, and upon such appointment was the decision of the Board implemented in letter and spirit by the management?**

- The RMC had occasion to examine the record and minutes of the relevant NR Committee meetings, to interact with its then Chairman and to take inputs from other members of the NR committee and Board of PFS. Some relevant extracts from the 138th & 139th meeting of the Board / Chairman's Draft Report are given hereunder. The said minutes have been examined and discussed in detail by the RMC;
- A lot has been discussed about the "dissent' purportedly given by the MD & CEO, PFS. In fact, para 7 (q) of Chairman's Draft Report says so. A careful perusal of the minutes of the 138th and the 139th meeting of the Board would show that this statement is factually incorrect. In fact, the resolution appointing the 2 WTDs was passed at the 138th Meeting - which records that the suggestions given by MD & CEO, PFS were in fact accepted and given effect to. There is no mention of any different view or dissent. The 139th meeting of the Board was merely to ratify its earlier decision after following due process prescribed by regulators for having the audit committee also approved the appointment of the CFO. Accordingly, the 139th meeting ratified and approved (with some changes as suggested by NR committee). The minutes of the said meeting clearly bring out that while the MD & CEO, PFS brought out certain points where he expressed a view that a wider talent pool could have been tapped. A careful reading of the minutes clearly shows that this was part of the general discussion and the views of the MD & CEO, PFS have also been taken note of. At the same time the minutes clearly record "the Chairman appreciated that the Board had given a unanimous decision in the selection of the candidates. He further stated that, as suggested by the MD and CEO, both the candidates are joining on absorption basis. " (Necessary extract of the minutes shall be appended before the Board meeting);
- It is thus evident that the decision of the Board was **unambiguous and unanimous,** and the Board having taken a due note of concerns expressed by the MD CEO, has in fact made an amendment to the terms of appointment as considered earlier;
- What remained was for the management headed by the MD CEO to implement this decision of the Board in letter and spirit. This unfortunately has not been done. The specific question was put to the MD & CEO, PFS and neither confirming nor denying whether the decision

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was implemented, he has merely commented in the course of our interaction "*I am not the implementing authority*";

- Paragraph 7 (s) to (t) of Chairman's Draft Report records some of the very contentious events that took place on 29th October 2021 at the office of PFS but make no reference to the factual matters brought out by Mr. [redacted] his interaction with the committee. Numerous facts which have been mentioned by [redacted] in this interaction with RMC including the fact that he had been requested on various occasions to do certain things including to seek extension of time for joining etc. and these requests were made by the MD & CEO, PFS have not been mentioned at all in the Chairman's Draft Report. I would urge the Board to kindly view the recording of the interaction as it would enable the Board to take a view about the extent that they may rely upon his submissions;
- There are certain records including e-mail correspondence which can be verified and numerous other corroborating evidence. However, given the constraints of time of the RMC as well as our own constraint in drafting this report it is not possible to address all of these issues in totality in this summation. Suffice it to say that upon a full consideration of facts we are convinced that there is merit in what Mr. Ratnesh has stated before the RMC and therefore while disagreeing entirely with the conclusion reached by the Chairman's Draft Report we are not going into further detail at this stage. It is important to appreciate that embarking on such an enquiry would be beyond the time and competence of the RMC and therefore while this would enable us to get to the truth of the matter, we have refrained from doing so at this stage. If the Board or the regulators so desire, a forensic enquiry, or a more detailed enquiry by the committee of the Board could always be carried out;
- Without prejudice to the above, we submit that this sort of enquiry is also not necessary at this stage for the simple reason that even without relying upon the facts as stated by Mr. Ratnesh, the other facts that have come on record on the basis of contemporaneous documents, e-mails, statements of the current and former members of the Board the following sequence of events can be stated in brief:
- On 29th October, [redacted] went to the Chairman PFS and submitted his joining papers to him. At that stage, Chairman PFS handed over the

entire set of documents to [redacted] (then EVP HR of PTC) and who had been entrusted with the entire recruitment process by the NR committee and Board of PFS (where he was then a nominee member of the Board). [redacted] has confirmed unequivocally that he had received the joining documents;

- There is further documentary evidence by way of e-mail correspondence and other documentary and oral evidence which shows that Chairman PFS accepted the joining report on 29th October at around 12 noon and made a noting to that effect on the letter;

- At that stage it is stated that the documents were offered to the person from PFS. No one accepted the documents. In the meanwhile, the Chairman PFS accompanied Mr. Ratnesh to the MD & CEO's cabin with a view to [redacted]eporting to the MD & CEO, PFS. At this stage MD & CEO, PFS refused to accept his joining. No reasons were ascribed for this at this stage. In fact, no reasons could have been cited at this stage since even if one assumes for the sake of argument that there were certain deficiencies in the documents -no one in PFS had at that time even seen the documents. Therefore, deficiencies therein cannot be cited as a reason for not permitting Mr. Ratnesh to join. But these documents were only seen by Chairman PFS (Mr. Deepak Amitabh) & Mr. Rajiv Malhotra (then EVP HR of PTC);

- The fact that there was a refusal to permit [redacted] join is further evidenced by the calls that the then Chairman PFS immediately made to other directors on the PFS Board from the cabin of MD & CEO, PFS. **These Directors of PFS have confirmed that Chairman PFS had then clearly stated that [redacted] is being prevented from joining;**
- It is important to note that at this stage, neither MD & CEO, PFS or any other person had taken the documents offered by [redacted] (then EVP HR of PTC). Therefore, it is fallacious to state that his joining could not be accepted because there was a deficiency in the joining documents. Therefore, the act of the MD & CEO, PFS in refusing to permit [redacted] to join amounted to a direct refusal to comply with a decision of the Board. The fact that the then chairman PFS was so agitated and disturbed was for this very reason. [redacted]ated that she had never heard the then Chairman [redacted] so

agitated and disturbed;

- The act of non-compliance with a decision duly taken by the Board thus took place on the afternoon of 29th October 2021. In our view, this amounts to non-compliance with corporate governance norms (to say the least). As mentioned earlier, there is a clear demarcation between the powers of the Board and the executive. Where the Board has taken a clear decision, the MD & CEO, PFS was required to follow that in letter and spirit and not raise extraneous objections. The non-compliance of Corporate Governance norms is all the more serious because, assuming that such an act occurred in the heat of the moment; the matter could have very well been set right once a more dispassionate view was taken. On the contrary, what is observed is a continuing attempt to justify what was incorrect ab initio. We refer to this post facto attempt specifically, for the reason that unfortunately, this pattern of behavior seems to be the standard playbook (or modus operandi);
- Numerous issues about completeness of documents, date of submission, manner and prescribed procedure of joining, filing of Form DIR 2 have been raised and discussed in the Chairman's Draft Report. As mentioned earlier, there are different versions of these matters especially because the views expressed by [redacted]nd other persons who interacted with the RMC have not all been captured in the correct sequence. However, since in our view, the refusal on 29th October 2021 to enable [redacted]to join itself constituted an act of non-compliance with a specific decision of the Board. To further check on this aspect, during the RMCs interaction a specific question was posed on more than one occasion that if the refusal to entertain [redacted]nd to facilitate his joining was on account of some deficiency in the documentation - who was the person who pointed out such deficiency. No answer was forthcoming. [redacted]isclaimed any knowledge since he was not the Chairman at that time and was not present on the occasion. He was however emphatic in his view that Mr. Ratnesh could not join due to his documentation being incomplete / inadequate. None of the persons have till date identified the person who on 29th October 2021 had specified any deficiency in documentation submitted by Mr. Ratnesh and had reported such deficiency to the management;
- It is therefore concluded by us that the entire costly and time-consuming

exercise of finding deficiencies in the documentation were entirely an afterthought to justify an incorrect action. It is bad enough that a clear decision of the Board is not complied with. In terms of corporate governance, it is even worse to seek to find some rationale to further continue to defend such an incorrect stand. This in our view only escalates the failure in corporate governance;

- The Chairman's Draft REPORT has at various places made reference to the delayed reporting of forensic audit to the Audit committee. (Refer Para 30 h, 27 (i) etc.]. Para 27 (iv) specifically deals with the corporate governance issues relating to the placement of the forensic audit report in the case of NSL before the audit committee. The said para states "(iv). The inputs were given by PFS management to the committee of independent directors on NSL issues were also considerably delayed. The report notes that a committee of IDs had concluded that the delay was not attributed to deliberate or malafide intent;
- While one cannot dispute a conclusion reached by the committee at that point of time, it is important to recognize that at times an isolated incident of default may not be considered serious; and I understand that the IDs acting at that point of time would have looked at the matter in such perspective. However, it is important to take cognizance of the facts of the case which once again reiterate the post facto justification as has been referred to above;
- We may then turn our attention to the governance issues that arise in the appointment and report of KPMG. Apparently, the said report is intended as a purely research and fact-finding exercise. Notwithstanding this, the contents of this report have found their way into the media were observations contained in the report stating that the selection process was done in a "hushed manner with unwarranted secrecy and speed." It is also a fact that the management had referred to this appointment of KPMG in the media interaction. While the management cannot be held accountable for media leaks, we are unable to understand the purpose and outcome of the said assignment and the manner in which it was dealt with;
- Before we proceed to point out the numerous incongruities that were noted, it is important to note that the management has been at pains to point out that pursuant to the receipt of RBI inspection report in June

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2021, all steps necessary to avoid conflict of interest and to preserve and maintain arm's- length dealing between PTC and PFS have been taken. It is on this purported logic of maintaining clear arm's-length distance that certain actions including the withdrawal of [redacted] [redacted]s a director on the Board of PFS was suddenly affected on 10th December 2021. Viewed in this perspective the following points need be taken note of:

- The review was to be carried out by PTC regarding the hiring process at PFS;
- There was apparently some issue about the independence of [redacted] to undertake this activity for PFS. It must be stated however that in the personal interaction the persons who formed a part of the [redacted] team (not the signatory to the report) confirmed that there was no conflict of interest. They agreed to provide necessary confirmation - but to our understanding that has not yet been received by the RMC members. Incidentally, it is a standard practice among professional firms to make an assertion in their report that they are independent and that there is no conflict of interest. Such an assertion was missing from their report;
- The report was preceded by a bland statement that they have relied on the information and documents provided to them (these and some other basic assertions are contained in para 6 of the Chairman's Draft and for sake of brevity are not repeated here).

- In what seems to be a clear violation of the same arm's-length relationship referred to above - PTC engaged the services of [redacted] - but their review was done in regard to PFS;
- As a result of the above - although an independent agency has apparently passed judgment about the conduct of the NR committee and Board of PFS, the directors PFS were apparently never informed about the same;
- At the same time, we are unaware as to whether this matter was brought to the attention of the PTC Board or Audit Committee either. In personal interaction with RMC, [redacted] asserted that the [redacted] appointment "had nothing to do with PTC";
- This appointment was done in last couple of weeks of December 2021

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(i.e. after the issues relating to [redacted] arisen). We are unable to comprehend even after our interaction with the management, why then the appointment was not done by PFS itself, as this cross-company conduct was in direct conflict with the assurance given to RBI about observing arm's- length distance between the two companies;

- On top of it, considering the caveats given by [redacted] it is apparent (and in fact later confirmed by them in the interaction) that some member of theirs did a cold review (i.e. without interacting with any of the persons from the NR committee or the PFS Board) based only on the documents made available to them. They further stated that they relied upon only what was provided to them and did not seek or requisition any document from the management. Based on these documents, they reached a conclusion which included numerous objectionable statements about the NR committee and the Board of PFS. This judgement was arrived at by merely referring to documents such as DPE guidelines which were provided to them (which they admitted do not apply to PFS), but they made no reference to common industry standards such as those prescribed by IICA or ICSI;
- [redacted]epresentatives also accepted in the discussion that while they have found certain gaps in the process, in various other companies where they have provided consultancy; there is not a single company in which they did not find gaps about which observations were made;
- Considering all the above, in conjunction with the fact that the appointment was in regard to PFS and was done by PTC seems to be in clear violation of the norms of corporate governance. The fact that such a report is on the record of the company but was not considered by the Boards / management as mentioned above is also a further disturbing feature. The logic and rationale for making such appointment at that particular juncture is also incomprehensible. Considering the above we believe that this is one more instance of failure to observe proper norms of corporate governance.

CNK Observations on extracts of comments of 2 Independent Directors and members of the PTC RMC, [redacted] and [redacted] on the draft report of Risk Management Committee of PTC on governance issues arising out of resignation letters of independent directors

The above detailed observations made by 2 members (Independent Directors) of PTC RMC, (one of these is current ID of the company), by referring to the sequence of events and the correspondence with [redacted] also bring out the views of independent directors that the management of the company were trying to ensure that [redacted] was not appointed (or for that matter anyone else also as WTD – Finance) and that the lapses, if at all, in his appointment, were merely technical and curable. This again brings out the fact that the management did not want introduction of 'checks and balances' which would have come into play on appointment of a whole time Director (Finance).

F. PTC RMC Report dated 23rd May 2022 with respect to appointment o[redacted]nd other matters

The PTC RMC report is a detailed report of 67 pages and 27 Annexures. Besides narrating the entire sequence of events, it also includes comments of other directors and those of the IDs on the draft report (Refer F above). The conclusion mentioned in the report and CNK Observations on the same are as under:

a) It has been norm in PTC and PFS for last one decade that appointments of Directors are made through open advertisement and this practice could have been continued;

b) Based on available information, [redacted] did not submit his consent to act as a director in form DIR-2 and as such, his appointment as Director was never complete and as such he was never appointed as Director in terms of Company Act;

c) Mr. Ratnesh never became Director of company, and his joining process was legally an infructuous exercise;

d) The incident on 29th October 2021 subsequent to submission of joining report by [redacted], as orally reported, was highly unfortunate;

e) PFS Board had initially approved that applicant from PTC group and its promoters will be allowed to join on lien / deputation. This decision was reversed at the time of approval of appointment of WTDs and their appointment was approved on absorption basis, which was accepted by the selected candidates after issue of appointment letter to them. Lien and absorption are completely two different issues and once appointment of [redacted] was on absorption basis, he could not have joined on lien unless he sought deviation to the terms of appointment, which Mr. Ratnesh never did;

f) [redacted] did not submit his relieving letter with his joining report. Mr. Ratnesh shared his relieving letter first time on 17th November 2021, when PTC came to know that he was relieved on lien basis. In view of the reason of [redacted] not complying with terms of appointment letter, PTC kept his joining on hold. [redacted] joined back NTPC on 6th December 2021. He never submitted his resignation letter to PFS as he did not consider himself to have joined PFS. With [redacted] joining back NTPC on 6th December 2021, the appointment process as well as Board resolution appointing him as Director (Finance) & CFO had become infructuous;

g) In view of [redacted] not being legally appointed as a director of PFS in terms of Company Act, the issue whether he joined PFS, various objections of Independent Directors and other events bear no meaning legally and they do not affect the ultimate outcome;

h) The allegations of various statutory violations as alleged by Independent Directors do not get proved in case of non-issuance of notice [redacted] to attend 8th November 2021 Board meeting and not sending circular resolution on 31st December 2021 for constituting NRC and for not reappointing [redacted] as Independent Director immediately after expiry of his term on 31st December 2021. The alleged violation related to NRC becoming dysfunctional subsequent to recall of [redacted] as nominee of PTC on PFS Board is also not a statutory violation;

i) The allegation of Independent Directors that meeting notice for 22nd January 2022 was not valid is not correct. They were in possession of all relevant information related to appointment and joining of [redacted] on the date of their resignation and therefore their objection that the meeting notice was not sent to all directors was without any basis. It would have been advisable that they should have attended the Board meeting of 22nd January 2022 and raised all the issues on the platform of Board;

j) As per the Minutes of the 15th Meeting of the Risk Management Committee of PTC held on 24th March 2022, [redacted] had attended the meeting through video conferencing for discussion with PTC RMC members.

The summary of key observations highlighted by [redacted] as extracted from Annexure 11 to PTC RMC report annexure are as follows (Refer Exhibit Ex-AP)

- Irrelevant questioning on application joining;
- He had resigned from his company position and came to PFS. He was treated badly; he was given appointment letter but not allowed to join;
- Mr. Ratnesh said he had given all relevant documents as available with him on the date of joining and who has further given it to whom, how can he know. Further, he was always requesting to the PTC & PFS HR for pending documents;

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- Not issuing notice of meeting to be held on 8th November;
- Postponement of board meeting from 8th November, 2021 to 9th November, 2021;
- Received a phone call from MD of company telling him to take leave of absence for 9th November 2021;
- Not allowing to join the company.

<u>CNK Observations on PTC RMC Report dated 23rd May 2022 with respect to appointment of [redacted]nd other matters</u>

- **In our view, the conclusions drawn in the above RMC report do not adequately address the concerns of the ex-independent directors and 2 members (Independent Directors) of PTC RMC who voted against the report as against the executive directors who voted in favour of the same. The report does not sufficiently address or justify the matters raised related to relieving of Mr. Ratnesh and following governance procedures for the same;**
- **It also seems that no serious efforts have been made to have discussions on this matter with [redacted](after his joining back at NTPC) and record his version of the events;**
- **As far as joining of [redacted] on lien or assignment was concerned, from the video recording of the 138th Board meeting held on 28th August 2021, it is clear that the Board was of the view that he should join on absorption not on deputation. Relevant extracts of 138th Board meeting is given in Exhibit Ex-AO**

G. Overall CNK views regarding appointment of Mr. Ratnesh

1. The vacancy in the position of Whole Time Director arose in 2018 on superannuation of [redacted] on 18th September 2018, from the post of Managing Director of the company and [redacted] appointed as MD &CEO on 3rd October 2018. There was no Whole Time Director (Finance) since then;
2. It seems that there was no intention of the management to appoint Whole Time Director (Finance) as reflected from the following:
   a) NRC recommendations and decisions were not followed or implementation thereof was delayed;
   b) As can be seen from Exhibit [redacted] was satisfying all the parameters amongst other candidates;
   c) The objections raised by the MD&CEO on the appointment of Mr. [redacted]ich included that he did not have the requisite experience of 'NBFCs' was already considered by the NRC and the Board while accepting his appointment;
   d) It may not be out of place to mention here that the current MD&CEO also did not have the requisite experience at the time of initial appointment as Director Finance & CFO in the company; Refer Extract of 137th Board Meeting given in **Exhibit Ex-AQ**
   e) Even after appointment [redacted] technical points were sought to be highlighted (without informing the Board);
   f) [redacted]as not given any co-operation nor allowed to function in his new role (by not sending him notices of meetings which he was entitled to attend);
   g) It appeared that he was forced to seek Leave of Absence for the meeting of 9th November 2021 where the company has rightfully issued the notice to him
   h) Delayed information to the Board about his rejoining NTPC;
   i) Not informing the stock exchanges / SEBI (as per SEBI regulations) about the position remaining vacant;
   j) No serious effort has been made subsequently to fill the vacancy;

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k) Incomplete and factually wrong replies given to SEBI resulting in SEBI vide email dated 02nd March 2022 communicating that the explanations given by the company are not satisfactory.

3. It seems that the management ensured that the position of Whole Time Director (Finance) remained vacant and thwarted efforts to fill in the vacancy.

4. As also can be seen from our Draft Report on the Loan Accounts (Annexure VI), there are several procedural and other irregularities for the sanction and disbursement of these Loans. There is every possibility that these irregularities would have been noticed or highlighted by the new appointee or in any case it would have put in place an additional level/s of checks and balances.

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VII. Appointment of [redacted]

EXHIBITS

Exhibit Ex-A – [redacted] email and presentation to the NRC dated 13th August 2021

Rajiv Malhotra
[illegible]
To [redacted]
Cc [redacted]

Dear Sir and Ma'am

Please find [illegible] process.

With best regards
Rajiv

Discussion Agenda

1. Responses received (A total of 14 applications for both positions)
2. Essential Screening Parameters (Age, Education, Minimum Experience)
3. Shortlist Basis Essential Parameters (Finance: 7/8; Operations: 2+2**/6)
4. Experience Indicators
5. Experience Screening Outcomes

**Applicants from PTC Group

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Application Status

Finance Applicants- 8 (No applicants from PTC group)

SL No.	Name (Mr. / Ms.)	Current Designation	Current Employer
1	[redacted]	Chief General Manager	PFC Limited
2	[redacted]	Chief General Manager	PFC Limited
3	[redacted]	Chief General Manager	PFC Limited
4	[redacted]	GM	NTPC Limited
5	[redacted]	GM	REC Limited
6	[redacted]	ED	REC Limited
7	[redacted]	CGM	REC Limited
8	[redacted]	AGM	NTPC Limited

Operations Applicants- 6 (2 applicants from PTC Group)**

SL No.	Name (Mr. / Ms.)	Current Designation	Current Employer
1	[redacted]	Chief General Manager	NTPC Limited (NVVN Ltd.)
2	[redacted]	Executive Director	PFC Limited
3	[redacted]	AGM	NTPC Limited
4	[redacted]	EVP	PTC Financial Services Limited
5	[redacted]	AGM	NTPC Limited
6	[redacted]	EVP	PTC Energy Limited

**Applicants from PTC Group

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Screening Parameters

Essential Criteria- Finance Position

1. Education:
   - Post-graduation in Finance / Accountancy / Economics / Commerce or equivalent including professional degrees like Chartered Accountant or Cost Accountant or CFA and MBA) from reputed institution
2. Age (as on 1st August, 2021) :
   - Maximum: 58 years
   - Minimum: 45 years
3. Minimum Experience:
   - 20 years with at least 5 years at a senior level (not more than two levels below Board; pay scale specified for CPSUs)

Essential Criteria- Operations Position

1. Education
   - Should possess a Degree in Engineering, PG in Economics or Finance Discipline or equivalent. (MBA (Finance)/ CA / ICWA / CFA) from a reputed institution is a desirable
2. Age (as on 1st August, 2021) :
   - Maximum: 58 years
   - Minimum: 45 years
3. Minimum Experience:
   - 20 years with at least 5 years at a senior level (not more than two levels below Board; pay scale specified for CPSUs)

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Shortlisting: Essential Parameters

Finance- 7 of 8 applicants

SL. No.	Name (Mr. / Ms.)	Current Designation	Current Employer
1	[redacted]	Chief General Manager	PFC Limited
[redacted]	[redacted]	Chief General Manager	PFC Limited
[redacted]	[redacted]	Chief General Manager	PFC Limited
[redacted]	[redacted]	GM	NTPC Limited
5	[redacted]	GM	REC Limited
[redacted]	[redacted]	ED	REC Limited
7	[redacted]	CGM	REC Limited
[redacted]	[redacted]	[redacted]	[redacted]

[redacted]

Operations- 2+2 of 6 applicants (2 PTC Group applicants)**

SL. No.	Name (Mr. / Ms.)	Current Designation	Current Employer
[redacted]	[redacted]	Chief General Manager	NTPC Limited (NVVN Ltd.)
2	[redacted]	Executive Director	PFC Limited
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	EVP	PTC Financial Services Limited
[redacted]	[redacted]	[redacted]	[redacted]
6	[redacted]	EVP	PTC Energy Limited

[redacted]

**Both PTC Group candidates exceed the maximum age of 58 years) by 5 months (VS Bisht) and ~~1 month 29 days~~ [illegible] respectively.

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Experience Screening Parameters

Role Objective- Finance Position

Core of the position is "Liability Management Strategy"

The key areas of experience would include

- Resource mobilization and management.
- Asset Liability Management
- Market Risk Management
- Treasury Management
- Compliance of Regulatory Guidelines & Internal Controls (eg) All regulations, RBI guidelines etc.)

Experience in organizations in the Financial Services Sector or Finance function of Infrastructure companies

Role Objective- Operations Position

Core of the position is "Business Strategy / Credit Strategy"

The key areas of experience would include

- Project Appraisal
- Product Development/ Structuring of Transactions
- Assessment of Competitive landscape
- Project Monitoring (assessing financial progress, Early Warning Signs (EWS), Project feasibility etc.)
- Resolution/ Revival & Restructuring of Distressed loan assets

Experience in Credit appraisal of Infrastructure Projects / Operations or Financial functions of Infrastructure Projects

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Recommendations on Way Ahead

1. Screening outcomes

- Three candidates (plus two from PTC Group) do not meet the Essential criteria while screening. The screening process gives us a total of 9+2** applicants (for both positions)
- The softer criteria with respect to Experience indicators show that all applicants have exposure to one or more elements expected in the 'Experience' screening parameters. PTC HR recommends that applicants clearing the essential criteria be given the opportunity for interaction with the NRC / Selection Committee for the WTD roles at PTC.

2. Additional Recommendation on Way Ahead

- The Director (Finance) & CFO profile has generated more interest in the target audience as compared to Director (Operations) profile.
- It is essential to note that there are many applicants who may be suitable for both the profiles.
- This presents an opportunity for the Committee to have a wider set of applicants for either position and make the selection process richer

**Applicants from PTC Group

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Director (Operations)

Sl. No.	Candidate Name / Key Areas	[redacted]	[redacted]	[redacted]	[redacted]
1	Project Appraisal	✔	✔	✔	
2	Product Development/ Structuring of Transactions		✔		✔
3	Assessment of Competitive landscape	✔	✔		
4	Project Monitoring (assessing Financial progress, Early Warning Signs (EWS), Project feasibility etc.)	✔		✔	✔
5	Resolution/ Revival & Restructuring of Distressed loan assets		✔	✔	

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Director (Finance) & CFO

Sl. No.	Candidate Name / Key Areas	[redacted]						
1	Resource mobilization and management.	✓			✓		✓	✓
2	Asset Liability Management			✓	✓		✓	
3	Market Risk Management							
4	Treasury Management	✓	✓	✓	✓			
5	Compliance of Regulatory Guidelines & Internal Controls (INDAS regulations, RBI guidelines etc.)		✓		✓	✓	✓	✓

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Exhibit Ex-B – Appointment letter dated 7th September 2021 provided by PFS and acknowledged by [redacted] on 9th September 2021

C PFSL HR DIR

7th September 2021

[redacted]
C-19, Pushpanjali Enclave
Pitampura
New Delhi-110034

Subject: Appointment Letter for the position of Director (Finance) and Chief Financial Officer

Dear Sir,

PTC India Financial Services Limited (PFSL) is pleased to offer you appointment to the position of Director (Finance) and Chief Financial Officer, on the following terms & conditions:

1. You will act within the framework of the organizational policies and directions laid down by the Company from time to time for the position of Whole time Director. You will be responsible for efficient, satisfactory and economical operations in the areas of responsibility that may be assigned to you by PFSL from time to time.

2. Your appointment has been made as per the applicable provisions of the Companies Act, 2013 and the Articles of Association of the Company for a period upto five years with effect from the date of your joining OR the date of attaining the age of superannuation (presently the superannuation age is 62 years for WTD level positions), whichever event occurs earlier. You will be on probation for a period of one year from the date of your joining. You will be Whole-time Director and presently designated as Director (Finance) and Chief Financial Officer and Board of PFSL may change your designation as it may deem fit from time to time. For the job role, you will report to MD & CEO, PFSL.

3. Your present compensation (Fixed CTC including LTA) will be Rs 70,00,000/- (Rupees Seventy lakhs only) per annum plus Performance Related pay (PRP), retiral benefits i.e. PF & Gratuity, other benefits including Car facility, etc. which are admissible to a Whole-time Director of PFSL. The break-up of total fixed compensation is given at Annexure-I. An indicative valuation of total compensation & benefits (including indicative valuation of benefits) is given at Annexure-II.

   PFSL shall absorb any shortfall in notice period upto three months subject to submission of documentary evidence.

4. Your total remuneration shall be subject to the applicable provisions related to remuneration as specified under the Companies Act, 2013. The Board or a duly constituted Committee of Board of PFSL shall be authorized to take decisions on your total remuneration and perquisites, periodical increments / variable pay etc. and settle all issues relating to your remuneration. You will be governed by the personnel policies of the Company as amended from time to time as may be applicable to Whole Time Directors of the Company.

PTC India Financial Services Ltd. (CIN: L65999DL2006PLC153373)
(A subsidiary of PTC India Limited)
Registered Office: 7th Floor, Telephone Exchange Building, 8 Bhikaji Cama Place, New Delhi - 110 066, India
Board: +91 11 [illegible] Fax: [illegible], Website: www.ptcfinancial.com, E-mail: [illegible]

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Exhibit Ex-B – Appointment letter dated 7th September 2021 provided by PFS and acknowledged by Mr. Ratnesh on 9th September 2021 (Contd...)

PFS

5. You shall observe strict confidentiality respecting all transactions and activities of the Company. Accordingly, you shall not, except in the performance of the duties assigned to you, disclose, communicate or part with, directly or indirectly, any confidential or technical information, know-how, proprietary information of any Licensors, plans, drawings, specifications, details or data, or any other information to any other person, including any other employee of the Company at any time, whether during your employment with PFSL or thereafter, without written consent of the Company.

6. You shall safeguard and keep confidential for all times to come, the information coming to your knowledge or possession in the course of your employment with the Company. Also, you shall not utilize the information obtained from the Company, its clients, collaborators, licensers, agents etc. in the preparation of any article during the course of your employment or thereafter under any circumstances. Failure to observe this condition of employment entitles the Company to summarily dispense with your services without any prior notice. In addition, the Company shall be free to take any action or claim damages in this behalf.

7. You will conform to the Company's expected standards of discipline regarding which specific rules / orders that are in vogue, or as understood by convention as Company norms.

8. You will disclose all your business interests to PFSL, whether or not they are similar to or in conflict with the business(es) or activities of the Company, and all circumstances in respect of which there is, or there might be perceived, a conflict of interest between PFSL and you or your any immediate relative / any associate / friend. Also, you agree to disclose fully and immediately to the Company any such interests or circumstances which may arise during your employment.

9. You will devote your whole time during office hours to the work of the Company and will not undertake any other business or work or post / directorship without the prior permission of PFSL.

10. Your initial posting will be at New Delhi. However, the Company reserves the right to shift its Registered / Corporate office in any of the States of India. The Company may depute you on tour (s) / seminars and training programmes etc.

11. PFSL may nominate you to any of the Board(s) of its Subsidiary or Associate or Investee Companies. You will not receive any fee or commission for attending the Board or Committee meetings of PFSL. You will deposit with PFSL any fee / commission / bonus etc. which you may get from any of the Companies wherein you have been nominated by PFSL as Director.

12. You shall keep PFSL informed of any change in your postal address. Otherwise, the last address communicated by you to the Company or available in the Company's records will be deemed as your postal address for the purposes of all communication from the Company.

13. You will abide and be governed by all rules, regulations and orders of the Company that are framed / modified and may be applicable to the Whole-time Directors from time to time. You will not absent from PFSL's duties without sanction of leaves.

PTC India Financial Services Ltd. (CIN: L65999DL2006PLC153373)
(A subsidiary of PTC India Limited)
Registered Office: 7th Floor, Telephone Exchange Building, 8 Bhikaji Cama Place, New Delhi - 110 066, India
Board: +91 11 26737300 / 26737400 Fax: 26737373 / 26737374, Website: www.ptcfinancial.com, E-mail: info@ptcfinancial.com

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Exhibit Ex-B – Appointment letter dated 7th September 2021 provided by PFS and acknowledged by [redacted] on 9th September 2021 (Contd...)

PFS

14 The Company may require you to undergo a medical check up by the Registered Medical Practitioner.

15 You will be responsible for safe keeping and return in good condition and order all the office properties, equipment, instruments, tools, books etc. which may be given to you for use, custody and charge. The Company has the right to deduct the money towards any such items that are not returned from your dues and take such other action as the Company may deem proper in the event of your failure to account for the aforesaid properties to the satisfaction of the Company.

16 At the time of joining PFSL, you shall submit a Release Order from the last organisation you were working with. You will also submit self-attested copies of your qualification and experience certificates. In case any declaration given by you at the time of your appointment / joining is found to be wrong or you are found to have wilfully suppressed any material information, the appointment itself will be deemed to be void and your services shall be liable to termination.

In case, the above terms & conditions are acceptable to you, please sign the duplicate copy of this Letter of Appointment as a token of your acceptance and return the same to us.

We look forward to a mutually satisfying and long-term association.

Thanking you,

Yours faithfully,

[redacted]

I, Ratnesh, hereby accept the above terms and conditions of my employment with the Company. I will join my duties on or before [illegible] 2021.

[redacted]

Date [illegible]

PTC India Financial Services Ltd. [illegible]
(A subsidiary of PTC India Limited)
Registered Office: [illegible]
[illegible]

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Exhibit Ex-B – Appointment letter dated 7th September 2021 provided by PFS and acknowledged by [redacted] on 9th September 2021 (Contd...)

Annexure-I

Name:	[redacted]	
Designation:	Director (Finance) and Chief Financial Officer	
Total Fixed Compensation Break-Up		
Components	Yearly (Rs.)	Monthly (Rs.)
Base Salary	29,47,500	2,45,625
House Rent Allowance	14,73,750	1,22,813
Management Allowance	21,28,750	1,77,396
Fixed CTC	65,50,000	5,45,833
Leave Travel Assistance (LTA)	4,50,000	37,500
Total Fixed Pay	70,00,000	5,83,333

Note:

(i) In addition to fixed compensation, retirals i.e. PF & Gratuity, Performance Related Pay (PRP) and other benefits/facilities will be applicable as admissible to WTDs.

(ii) As per present Performance Related Pay Policy of PFSL, the maximum PRP amount payable at Board Level functionaries is upto 40% of Fixed CTC.

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(A subsidiary of PTC India Limited)
Registered Office: 7th Floor, Telephone Exchange Building, 8 Bhikaji Cama Place, New Delhi - 110 066, India
Board: +91 11 26737300 / 26737400 Fax: 26737373 / 26737374, Website: www.ptcfinancial.com, E-mail: info@ptcfinancial.com

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Exhibit Ex-B– Appointment letter dated 7th September 2021 provided by PFS and acknowledged by [redacted] on 9th September 2021 (Contd...)

PFS

Annexure-II

Total Compensation Break Up	
Name:	Shri Ratnesh
Designation.	Director (Finance) and Chief Financial Officer

Total Compensation Break-Up		
	Yearly (Rs.)	**Monthly (Rs.)**
Total Fixed Pay	70,00,000	5,83,333
Retirals		
PF contribution	3,53,700	29,475
Gratuity	1,41,776	11,815
Performance Related Pay (PRP)		
Performance Related Pay*	21,74,800	
Other Benefits/Facilities (Indicative Valuation)		
Reimbursement towards Residential office facilities including one time cost of purchase of specified items and cost of Laptop, Printer, Earned Leaves as applicable at Board Level Functionaries of the Company	6,04,187	
Total Compensation (Fixed CTC, LTA, Retirals, PRP, and valuation of Other Benefits/facilities)	1,02,74,262	

*PRP is computed on a score of 83 out of 100 and is payable on annual basis. Maximum of 40% of the Fixed CTC base drawn during the year
Facilities of Company Car, Entertainment, Telephone / Communication expenses not part of the above break-up, being applicable at actuals

PTC India Financial Services Ltd. [illegible]
(A subsidiary of PTC India Limited)
Registered Office: [illegible] New Delhi - 110 066, India
[illegible]

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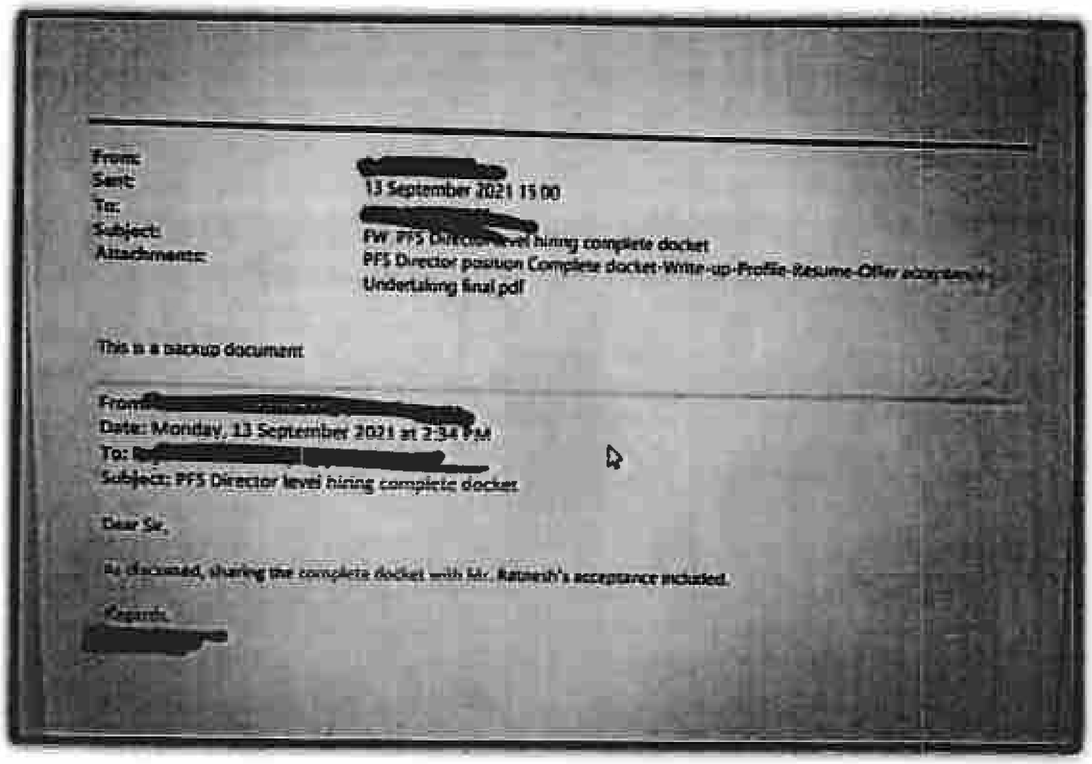
<u>Exhibit Ex-C: Extract of the email of 13th September 2021 and brief write-up of PFS and roles/responsibilities of WTD Positions</u>



From: [redacted]
Sent: 13 September 2021 15:00
To: [redacted]
Subject: FW: PFS [redacted] hiring complete docket
Attachments: PFS Director position Complete docket-Write-up-Profile-Resume-Offer acceptance-Undertaking final.pdf

This is a backup document

From: [redacted]
Date: Monday, 13 September 2021 at 2:34 PM
To: [redacted]
Subject: PFS Director level hiring complete docket

Dear Sir,

As discussed, sharing the complete docket with Mr. Ratnesh's acceptance included.

Regards,
[redacted]

1. Introduction

PTC India Financial Services Limited (PFS) is a subsidiary of PTC India Limited (PTC). PTC, the leader in electricity trading in the country, is promoted by POWERGRID and three other power sector majors ([redacted], [redacted]FC Limited and NHPC. PTC currently holds a 65% stake in PFS, and participates in the Board of the Company.

PFS is a non banking finance company (NBFC) and an accredited "Infrastructure Finance Company" under the supervision of Reserve Bank of India. The Company is listed on BSE and NSE. The Board of Directors of PFS Board includes representation from PTC, PTC's Promoters and Independent Directors of high repute. PFS's contribution to power sector financing, and particularly financing of renewables is now well recognized.

At the core of PFSL's business model is partnering in infrastructure development by catering to the financing needs of the sector. Therefore, PFS is structured as a 'one-stop shop' for financing of infrastructure projects over the project life cycle. The company has plans to expand its operations in the Renewable and ESG space.

2. Understanding the Whole-Time Director positions

Applications for two (2) Whole Time Director (WTD) positions i.e. ***Director (Operations)*** and ***Director (Finance) & CFO*** for PFS have been invited through a limited process of notifying and requesting PTC and its promoter companies. A total of nine (9) candidates were shortlisted using essential parameters (age, education and minimum experience).

The role objectives of the both the positions highlight the critical areas of expectations from the positions. As an overview, Director(Operations) is the board level role that is focused on the asset side of the business, while Director(Finance) & CFO focuses on the liability side. The essence of the role profiles is briefly captured below:

a) Role objective: Director (Finance) position

Core of the position is *"Liability Management Strategy"* and the key areas of experience would include:

- Resource mobilization and management.
- Asset Liability Management (ALM)
- Market Risk Management
- Treasury Management
- Compliance of Regulatory Guidelines & Internal Controls (Ind-AS regulations, RBI guidelines etc.)

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The experience criterion for the position specifies the requirement of previous exposure to working in organizations in the Financial Services sector or Finance function of Infrastructure companies

b) Role objective: Director (Operations) position

Core of the position is "*Business Strategy / Credit Strategy*" and the key areas of experience would include

- Project Appraisal
- Product Development/ Structuring of Transactions
- Assessment of Competitive landscape
- Project Monitoring (assessing Financial progress, Early Warning Signs (EWS), Project feasibility etc.)
- Resolution/ Revival & Restructuring of Distressed loan assets

The experience criterion for the position specifies the requirement of previous exposure to working in in Credit appraisal of Infrastructure Projects / Operations or Financial functions of Infrastructure Projects

The detailed role profiles that were circulated to the PTC and the Promoter Companies are attached at *Annexure A & B*, respectively. Candidates have been asked to submit resumes' in a structured format plus a write-up of about 200 words.

Role Title	DIRECTOR FINANCE & CFO (PFSL)
Reporting to	MD & CEO, PFSL

Remuneration: The position carries a remuneration in the range of Rs.1 Crore per annum plus applicable benefits like Medical Reimbursements, Insurance Cover etc.*

ROLE OBJECTIVE:

The Director (Finance) and Chief Financial Officer will play a critical role in developing and implementing the company's resource mobilization strategy. As a member of the senior leadership team, CFO will provide expertise in the area of treasury and banking operations, Asset Liability Management, Market Risk Management and resource mobilization. S/he will be responsible for all financial management decisions for the organization, in conjunction with the Board of Directors and the audit, investment and other committees of the board. S/he will have primary responsibility for ensuring the highest quality of financial reporting and disclosure standards, ensuring timely disbursement, and driving operational excellence in order to maximize shareholder value. S/he will also have a role integral with other assurance functions i.e. IT, HR, Investor Relations, and Legal

I. DUTIES & RESPONSIBILITIES

Liability Management

- Manage and assess organizational performance against both the annual budget targets and the company's long term strategy
- Oversee long term asset liability management
- Engage with the board's audit, investment and other committees on financial delivery
- Build systems and procedures to mitigate financial, liquidity risks
- Market Risk Management and Treasury Management
- Planning of Resource mobilization, both equity and debt from financial investors and banks/Development Financial Institutions in line with requirements of the company
- Finalization of annual budgets and accounts; oversee budgeting and implementation of budgets so as to monitor progress and present financial metrics both internally and externally
- Ensuring adherence to compliance of regulatory guidelines and internal controls
- Build IT enabled environment for entire organization. Optimize the handling of banking relationships
- Responsibility of managing communications between company's corporate management and its Investors

- Ensuring appropriate implementation of strategies related to foreign exchange, treasury management and liquidity management

Governance and Leadership

- Effective team leadership and communication - managing, monitoring, and coaching line managers by being in regular contact with each area and ensuring that information is communicated seamlessly throughout the function and across functions.
- Create an environment that motivates teams through awareness of role expectations, and recognition of performance / contribution.
- Constantly challenge unacceptable / unsafe / inefficient behaviours or practices

Key Attributes / Competencies

- Strong influencing and negotiating skills. A Completer / finisher mentality to deliver strategy fulfilment through sound tactical implementation. Tenacity in achieving objectives within deadlines.
- Excellent analytical skills - the ability to assimilate and analyse data and provide financially sound decisions and viable business solutions.
- Goal focused; with a reputation for delivery
- Strong risk and compliance mindset
- Effective customer facing skills, with experience in working with domestic and international contacts.
- Effective communication skills to engage with internal and external stakeholders

KEY EXTERNAL INTERACTIONS

Board, Customers, Shareholders, Regulatory Bodies, Financial Institutions

1. QUALIFICATIONS AND EXPERIENCE Basic Criteria

a) **Education:**

i) Post-graduation in Finance / Accountancy / Economics / Commerce or equivalent including professional degrees like Chartered Accountant or Cost Accountant or CFA and MBAs from reputed institution.

b) **Experience:**

i) Domain knowledge of Resource mobilization, Corporate Financial management, IND AS regulations etc. with an understanding of RBI guidelines and Banking operations. Prior experience of mobilization of resources from ESG focused investors will be an added advantage.

ii) Possess proven management and leadership skills in building and leading teams.

iii) S/He should possess a minimum of 20 years of experience in financial services sector, or finance function of infrastructure companies, responsible for a wide range of activities including resource mobilization, disbursement of loans, maintaining relationships with regulatory bodies and credit rating agencies of which at least 5 years should be at a senior

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level (not more than two levels below Board) i.e. in case of PSUs, the E8 band (Pay scale Rs.1,20,000-Rs.2,80,000). Equivalent level for PSBs and others

c) Age

i) Minimum 45 years as on 1st August, 2021
ii) Not more than 58 years of age as on 1st August, 2021

The age of superannuation is 62 years

d) Tenure: The appointment will be for a period of five (5) years or up to the date of superannuation, whichever is earlier

<u>Deputation/Lien for applicants from PTC and its Promoter Companies is allowed</u>
Applicants serving in Govt. / PSUs should apply through proper channel or submit 'No Objection Certificate' from her / his employer (Govt. / PSU) at the time of interview, or latest at the time of appointment

No corruption cases, no disciplinary proceedings and no vigilance enquiry etc. should have been pending / initiated in the past against the applicant. Such declaration will be taken before interview from the shortlisted candidates in the prescribed format.

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Exhibit Ex-D- Communication w.r.t intimation of appointment of Mr. Ratnesh dated 14th September 2021 sent by PFS to NSE and BSE.

PFS

Dated: 14th September, 2021

To

Manager Listing Department/ Department of Corporate Relations **BSE Limited** Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai- 400001 Scrip Code : 533344	General Manager **National Stock Exchange of India Limited** Exchange Plaza, C-1, Block G, Bandra- Kurla Complex, Bandra (East), Mumbai- 51 Scrip Code : PFS

Sir/ Madam,

Subject: Appointment of Director (s)

Ref : Regulation 30 of SEBI (Listing and Obligations and Disclosure Requirements) Regulations 2015

This is to inform that the Board of Directors of the Company in their meeting held on 13th September, 2021 has approved the appointment following Directors -

1. Shri Ratnesh (DIN 08603968) as Whole Time Director designated as "Director (Finance) & CFO" on the Board of the Company for a period of five years or the date of superannuation (which is at present is 62 year), whichever occurs earlier w.e.f. date of his joining; and

2. Shri Pranab Kumar Sinha (DIN: 05262027) as Whole Time Director designated as "Director (Operations)" on the Board of the Company for a period of five years or the date of superannuation (which is at present is 62 year), whichever occurs earlier w.e.f. date of his joining.

None of the above have any relationship with any of the Directors of the Company. Their brief profile is enclosed.

This is for information and record please.

Thanking You,

For PTC India Financial Services Limited

[redacted]

(Company Secretary)

PTC India Financial Services Ltd. (CIN: L65999DL2006PLC153373)
(A subsidiary of PTC India Limited)
Registered Office: 7th Floor, Telephone Exchange Building, 8 Bhikaji Cama Place, New Delhi - 110 066, India
Board: +91 11 26737300 / 26737400 Fax: 26737373 / 26737374, Website: www.ptcfinancial.com, E-mail: info@ptcfinancial.com

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Exhibit Ex-D- Communication w.r.t intimation of appointment [redacted] dated 14th September 2021 sent by PFS to NSE and BSE (Contd...)

PFS

Brief Profile [redacted]

[redacted] more than 32 years of experience in the power sector, of which 28 years are with Power Finance Corporation Ltd. (PFC). He is currently working as Executive Director in PFC. His experience is spread across the value chain of power sector including planning, maintenance and financing of generation, transmission & distribution segments. In PFC, he has been assigned several key roles for business development, project appraisal, financial modelling, project monitoring and stressed asset resolution. Presently, he is Executive Director in charge of PFC's lending operations in the Northern Region and also heads the Lending Policy Unit in PFC, overseeing the formulation and review of PFC's lending policies. Further, he is in charge of the New Business Group, which is responsible for exploring business opportunities in emerging sectors like electric mobility, energy storage, equipment manufacturing etc.

Brief Profile [redacted]

[redacted] is a finance professional with experience of around 35 years. He is currently working as Chief General Manager in NTPC Ltd. He joined NTPC as an Executive Trainee (1984-1986) and thereafter acquired rich experience in different areas of finance from time to time. He is an alumnus of the MBA (Finance) program of Faculty of Management Studies, Delhi University (FMS). He has contributed in functions like resource mobilisation and banking operations, commercial finance, financial reviews, MIS and reporting, cost management/ audit, budgeting, internal audit, regulatory aspects. He has comprehensive experience of internal financial controls and digitization/ IT enablement of financial operations. His work in the bonds' department & regional commercial operations, and also managing external stakeholders is specially noteworthy.

His experience in procurement/ bidding processes and project financing are at the core of several organisational initiatives at NTPC. He also represents NTPC as a Nominee Director in a JV Company.

PTC India Financial Services Ltd. (CIN: [illegible])
(A subsidiary of PTC India Limited)
Registered Office: 7th Floor, Telephone Exchange Building, 8 Bhikaji Cama Place, New Delhi - 110 066, India
Board: +91 11 26737300 / 26737400 Fax: 26737373 / 26737374, Website: www.ptcfinancial.com, E-mail: info@ptcfinancial.com

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Exhibit Ex-E - Addendum letter dated 16th September 2021 provided by PFS

C:PFSL:HR:DIR

16th September, 2021

[redacted]
C-19, Pushpanjali Enclave
Pitampura
New Delhi-110034

Subject: Addendum to PFSL Letter Ref. C:PFSL:HR:DIR: dated 7th September, 2021

Dear Sir,

This Addendum is in continuation to our Letter Ref. No. C:PFSL:HR:DIR dated 7th September, 2021. The Clause at Sl. No. 3 in the letter to be read as follows:-

> "Your present compensation (Fixed CTC including LTA) will be Rs.72,00,000/- (Rupees Seventy Two lakhs only) per annum plus Performance Related pay (PRP), retiral benefits i.e. PF & Gratuity, other benefits including Car facility, etc which are admissible to a Whole-time Director of PFSL. The break-up of total fixed compensation is given at Annexure-I. An indicative valuation of total compensation & benefits (including indicative valuation of benefits) is given at Annexure-II.
>
> PFSL shall absorb any shortfall in notice period upto three months subject to submission of documentary evidence."

All other terms & conditions of the subject referred letter not specifically mentioned herein shall remain unaffected and apply to this Addendum.

Thanking you,

Yours faithfully,

[redacted]

[redacted] hereby accept the above terms and conditions of my employment with the Company.

(Ratnesh)

Date

PTC India Financial Services Ltd. (CIN: [illegible])
(A subsidiary of PTC India Limited)
Registered Office: 7th Floor, Telephone Exchange Building, 8 Bhikaji Cama Place, New Delhi - 110066, India
Board: +91-11-[illegible] Fax: [illegible] Website: www.ptcfinancial.com Email: [illegible]

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Exhibit Ex-E - Addendum letter dated 16th September 2021 provided by PFS (Contd...)

Annexure-I

Name:	[redacted]	
Designation:	Director (Finance) and Chief Financial Officer	
Addendum- Total Fixed Compensation Break-Up		
Components	Yearly (Rs.)	Monthly (Rs.)
Base Salary	30,37,500	2,53,125
House Rent Allowance	15,18,750	1,26,563
Management Allowance	21,93,750	1,82,812
Fixed CTC	67,50,000	5,62,500
Leave Travel Assistance (LTA)	4,50,000	37,500
Total Fixed Pay	72,00,000	6,00,000

Note:

(i) In addition to fixed compensation, retirals i.e. PF & Gratuity, Performance Related Pay (PRP) and other benefits/facilities will be applicable as admissible to WTDs.

(ii) As per present Performance Related Pay Policy of PFSL, the maximum PRP amount payable at Board Level functionaries is upto 40% of Fixed CTC.

(Forming part of Addendum dated 15th September 2021 to letter Ref. No. C/PFSL/HR/D/F dated 7th September 2021)

PTC India Financial Services Ltd. [illegible]
(A subsidiary of PTC India Limited)
Registered Office: [illegible]

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Exhibit Ex-E - Addendum letter dated 16th September 2021 provided by PFS (Contd...)

Annexure-II

Addendum Total Compensation Break Up	
Name:	Shri Ratnesh
Designation:	Director (Finance) and Chief Financial Officer

Addendum - Total Compensation Break-Up		
	Yearly (Rs.)	Monthly (Rs.)
Total Fixed Pay	72,00,000	6,00,000
Retirals		
PF contribution	3,64,500	30,375
Gratuity	1,45,104	12,175
Performance Related Pay (PRP)		
Performance Related Pay*	22,41,000	
Other Benefits/Facilities (Indicative Valuation)		
Reimbursement towards Residential office facilities including one-time cost of purchase of specified items and cost of Laptop, Printer Earned Leaves as applicable at Board Level Functionaries of the Company	6,11,188	
Total Compensation (Fixed CTC, LTA, Retirals, PRP, and valuation of Other Benefits/facilities)	1,05,62,792	

***PRP is computed on a score of 53 out of 100 and is payable on annual basis. Maximum of 40% of the Fixed CTC base drawn during the year**

Facilities of Company Car, Entertainment, Telephone / Communication expenses not part of the above break-up, being applicable at actuals

(Forming part of Addendum dated 16th September, 2021 to offer Ref. No. C PFS/ HR DIR dated 7th September, 2021)

PTC India Financial Services Ltd. (CIN: [illegible])
(A subsidiary of PTC India Limited)
Registered Office: [illegible] Telephone Exchange building, 8 Bhikaiji Cama Place, New Delhi - 110 066, India
[illegible]

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Exhibit Ex-E1 - Email dated 20.10.2021 from [redacted] to Directors regarding joining of 2 WTDs shortly and Surinder Sharma email addressing to [redacted] stating "We will be providing you with all the related documents post handling the respective joining formalities as and when both the WTDs join in the next few days. We will keep you posted. Meanwhile, you may like to put in place logistics / IT / workspace arrangements etc. for their enablement on joining"

From: [redacted]
Sent: 20 October 2021 12:14
To: [redacted]
Cc: [redacted]
Subject: FW: Joining of Director (Operations) & Director (Finance) in PFS

Dear Sir & Ma'am

This is for the information of the N&R Committee members only. The two WTD candidates appointed are expected to join shortly. PTC HR will ensure completion of their joining formalities and then handover the process of their orientation and also the candidates' dossiers to PFS team.

With best regards
Rajiv

From: [redacted]
Date: Wednesday, 20 October 2021 at 12:07 PM
To: [redacted]
Cc: [redacted]
Subject: FW: Joining of Director (Operations) & Director (Finance) in PFS

Dear [redacted]

Please refer to your trail mails. Subsequently, we met last week in our office and discussed the subject of joining of the two WTDs of PFS with you. As explained to you during the discussions, documents required for any statutory filings are already available with Company Secretary, PFS. You would notice that filings were already made with the Stock Exchanges based on available documents.

Further, as discussed, we will be providing you with all the related documents post handling the respective joining formalities as and when both the WTDs join in the next few days. We will keep you posted. Meanwhile, you may like to put in place logistics / IT / workspace arrangements etc. for their enablement on joining.

Regards,
[redacted]

Exhibit Ex-F - Joining report dated 29th October 2021 addressed to Chairman, PFS by [redacted]

29th October 2021

Chairman
PTC India Financial Services Ltd.
7th Floor, Telephone Exchange Building,
8 Bhikaji Cama Place,
New Delhi – 110 066.

Sir,

Subject – Joining Report as Director (Finance) and Chief Financial Officer

Please refer Appointment letter for the position of Director (Finance) and CFO Ref: C:PFSL:HR:DIR: dated 7th September, 2021 and Addendum Ref: C:PFSL:HR:DIR dated 16th September, 2021.

I hereby join my duties w.e.f. 29th September, 2021(FN) in terms of the above.

Thanking you,

Yours faithfully,

[redacted]

Address: C-19, Pushpanjali Enclave, Pitampura, New Delhi - 110034

Accept the joining in terms of decision of the PFS Board in 138th & 139th Board meeting

29/10/2021

MD, PFS

Copy to CS, PFS, Executive Director (HR), All the Board members

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Exhibit Ex-G: CS asked MD & CEO to share the agenda and notice of the meeting to [redacted]ut MD & CEO refused it and same was confirmed by CS over the email.

From: [redacted]
Sent: 03 November 2021 23:04
To: [redacted]
Subject: FW: Index of the agenda items for 142nd Board Meeting

From: [redacted]
Sent: Wednesday, November 3, 2021 11:03 PM
To: [redacted]
Subject: Re: Index of the agenda items for 142nd Board Meeting

Ok

Sent from my iPhone

On 03-Nov-2021, at 11:02 PM, Vishal Goyal-PFS <vishalgoyal@ptcindia.com> wrote:

Sir.

With reference to the trailing e-mail, please find the attached revised index of the agenda items as desired by you for 142nd meeting of the Board of Directors to be held on 8th November, 2021 for your kind review and approval.

Further as desired by you earlier, we have not sent the notice of the meeting of the Audit Committee and the Board to Sh. Ratnesh, therefore, the agenda of the Board and Audit Committee meeting may also not sent to him.

Submitted please.

Regards

[redacted]

Exhibit Ex-H - Meeting invitation and notice sent to [redacted] on 8th November 2021 for Board and audit committee meeting

Archit Jain

From: [redacted]
Sent: 08 November 2021 [illegible]
To: Archit Jain
Subject: FW: Notice for [illegible] Board Meeting of PTC India Financial Services Limited - PFS

From: [illegible]
Sent: Monday, November 8, 2021 [illegible]
To: [illegible]
Cc: [illegible]
Subject: Notice for 143rd Board Meeting of PTC India Financial Services Limited - PFS

PFS

Ref. No. [illegible]
143rd

Date : 08th November, 2021

[redacted] Finance & CFO)
[redacted] Director, PFS
[redacted] Director, PFS
[redacted] Director, PFS
[redacted] – Director, PFS
[redacted] Director, PFS
[redacted] Director, PFS

Subject : Notice for 143rd Board Meeting of PTC India Financial Services Limited (PFS)

Sir/Madam,

We would like to inform that 143rd Board Meeting of PFS is scheduled to be held on Tuesday, 09th November, 2021 at 03:00 p.m. at PTC India Financial Services Limited, 7th Floor, Telephone Exchange Building, 8 Bhikaji Cama Place, New Delhi – 110066 to consider the agenda items for 143rd Board Meeting which are already circulated. The video conferencing facility shall also be available for the meeting.

The agenda for the meeting shall be circulated separately.

Kindly make it convenient to attend the meeting.

Thanking you,

With Best Regards,

[redacted]
Company Secretary
PTC India Financial Services Limited

PTC India Financial Services Ltd. (CIN: [illegible])
(A Subsidiary of PTC India Limited)
Registered Office: 7th Floor, Telephone Exchange Building, 8 Bhikaji Cama Place, New Delhi - 110066, India
Board: [illegible], Website: www.ptcfinancial.com, E-mail: [illegible]

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Exhibit Ex-H - Meeting invitation and notice sent to [redacted] on 8th November 2021 for Board and audit committee meeting (Contd...)

Ankit Jain

From:	[redacted]
Sent:	08 November 2021 23:26
To:	Ankit Jain
Subject:	FW: Notice for 76th meeting of Audit Committee - PFS

[redacted] 8, 2021 11:22 PM
To: [redacted]
Cc: [redacted]
Subject: Notice for 76th meeting of Audit Committee - PFS

Date : 08th November, 2021

[redacted]

Sh. [redacted]

Subject : Notice for 76th meeting of Audit Committee

Sir/ Madam,

We would like to inform that 76th Meeting of Audit Committee of PFS is scheduled to be held on Tuesday, 09th November, 2021 at 11:30 a.m. at shorter notice at PTC India Financial Services Limited, 7th Floor, Telephone Exchange Building, 8 Bhikaji Cama Place, New Delhi - 110066 to consider the agenda for 75th Audit Committee Meeting which has already been circulated. The video conferencing facility shall also be available for the meeting.

Kindly make it convenient to attend the meeting.

Thanking you,

With Best Regards

[redacted]
Company Secretary
PTC India Financial Services Limited

Copy : [redacted] (D&CEO PFS)
[redacted] CFO- PFS)

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Exhibit Ex-H - Communication from [redacted] for seeking leave of absence on 9th November 2021 for Board meeting

From: [redacted]
To: [redacted]
Cc [redacted]

Subject: Re: Notice for 143rd Board Meeting of PTC India Financial Services Limited - PFS
Date: Tuesday, November 9, 2021 2:29:34 PM

I may kindly be granted leave of absence due to certain unavoidable circumstances.

Best regards,
[redacted]

Exhibit Ex-I - Email dated 8th November 2021 from Mr. Ratnesh addressed to Chairman, PFS seeking time upto 22nd November 2021

Surinder Sharma

From:	[redacted]
Sent:	25 November 2021 10:51
To:	[redacted]
Subject:	FW: Appointment letter dated 7.9.21 for the post of DF

For information please.

From: [redacted]
Date: Monday, 8 November 2021 at 2:37 PM
[redacted]
Subject: Appointment letter dated 7.9.21 for the post of DF

Sir,

Please refer to appointment letter dated 07.09.21. I had submitted joining report on 29.10.21.

Please also refer to subsequent discussions. I'm now informed that there are certain other administrative formalities/joining formalities which need to be completed.
In view of the above, I may be allowed time upto 22.11.21 to complete the same.

Thanking you,

Yours faithfully,
[redacted]

Exhibit Ex-J - Email dated 17th November 2021 from [redacted] addressed [redacted] Limited sharing the Office Order dated 28th October 2021 of NTPC Limited

Surinder Sharma

From:	[redacted]
Sent:	17 November 2021 20:41
To:	[redacted]
Cc:	[redacted]
Subject:	Office order (re releasing from NTPC) dated 28.10.2021
Attachments:	Release order - Ratnesh for joining PFSL.pdf

[redacted]

Please refer to your phone call a short while ago, today.

As you are aware, I had submitted my joining report on 29th October, 2021 in response to appointment letter dated 07.09.21 issued by PTC India Financial Services Limited. I may mention that I had earlier conveyed my acceptance to the appointment letter on 09.09.2021 and informed that I would join my duties on or before 31st October, 2021.

As now desired, a copy of Office order dated 28.10.2021 releasing me from NTPC Limited to assume the charge of Director (Finance) PFSL is attached.

Please inform details of any other administrative formalities/joining formalities, which need to be completed.

Warm regards,

[redacted]

For kind information: ED (HR)
Managing Director & CEO- PFS

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Exhibit Ex-J - Email dated 17th November 2021 from [redacted] addressed to Sh. [redacted] PTC India Limited sharing the Office Order dated 28th October 2021 of NTPC Limited (Contd...)

[redacted]

ENGINEERING OFFICE COMPLEX, NOIDA
(CORPORATE HR-OPERATIONS GROUP)

REF. NO.: 01/HR-EB/LIEN/002964   DATE: 28.10.2021

OFFICE ORDER

Pursuant to appointment as Director (Finance), PFSL, vide offer letter from PFSL dated 07.09.2021, Sh. Ratnesh, Emp. No. 002964, CGM, Finance (Coml.), CC-SCOPE, is hereby released provisionally from NTPC Ltd. w.e.f. 28.10.2021 (A/N), to assume the charge of Director (Finance), PFSL.

Sh. Ratnesh has been allowed to retain lien on the post of Chief General Manger in NTPC Ltd. for a period up to 30.09.2023.

Sh. Ratnesh has been provisionally released from NTPC Ltd. to join PFSL pending settlement of outstanding dues.

Sh. Ratnesh shall be required to settle all outstanding dues with NTPC as on the date of release from NTPC. The Provident Fund, Leave Salary equivalent to the EL and HPL balances as on the date of release and Gratuity is to be transferred to the new organization. NTPC pension accumulation shall be dealt as per the provisions of NTPC Pension Scheme.

In case Sh. Ratnesh joins back NTPC on or before expiry of lien period, he will have to get the Leave, Gratuity, PF amount transferred back to NTPC and on receipt of which the same will be credited in his account and his services shall be treated as continuous (including the period of services rendered at board level in PFSL) for all purposes. However, the period of lien will not be reckoned as qualifying service for consideration for promotion/appointment to the next higher grade in NTPC.

This issues with the approval of the Competent Authority

28/10/2021

[redacted]
SR. MANAGER (HR)

Distribution:

- [redacted]mp. No. 002964
- ED (HR) / ED (Finance) - CC
- Pr. ES/ES to CMD / D(Fin) / D(HR) / D(Opns.) / D(Comml.) / D(Pro.) / CVO
- Head - COE-HR-USS / COE-HR-ER&IE / STRATEGIC HR & TALENT MGMT
- Subject file / Office Order file / Personal File

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Exhibit Ex-K - Email dated 18th November 2021 from [redacted] sharing the MBA Degree from Delhi University, Statement of Marks for MBA — Public System Management / Health Care Administration, Statement of Marks M.Com, Statement of Marks B.Com, CBSE Class XII Certificate.

Surinder Sharma

From:	[redacted]
Sent:	18 November 2021 14:48
To:	[redacted]
Subject:	Fwd: Office order (re: releasing from NTPC) dated 28.10.2021
Attachments:	Release order - Ratnesh for joining PFSL.pdf; Ratnesh Class XI.pdf; Ratnesh B Com Marks Shee[redacted]m.pdf; Ratnesh MBA MarksSheet.pdf; Ratnesh MBA Degree.pdf

Dear [redacted]

In continuation of my mail dated 17.11.2021, please find attached copies of qualification certificates. Please inform details of any other administrative formalities/joining formalities etc. which need to be completed.

Thanks and regards,
[redacted]
966099084[redacted]

---------- Forwarded message ---------
From: [redacted]
Date: Wed, 17 Nov 2021 at 20:40
Subject: Office order (re: releasing from NTPC) dated 28.10.2021
To: [redacted]
Cc: [redacted]

Dear Shri S S Sharma Ji,

Please refer to your phone call a short while ago, today.

As you are aware, I had submitted my joining report on 29th October, 2021 in response to appointment letter dated 07.09.21 issued by PTC India Financial Services Limited. I may mention that I had earlier conveyed my acceptance to the appointment letter on 09.09.2021 and informed that I would join my duties on or before 31st October, 2021.

As now desired, a copy of Office order dated 28.10.2021 releasing me from NTPC Limited to assume the charge of Director (Finance) PFSL is attached.

Please inform details of any other administrative formalities/joining formalities, which need to be completed.

Warm regards,
[redacted]

For kind information: ED (HR)
Managing Director & CEO- PFS

Exhibit Ex-L - Email dated 22nd November 2021 from [redacted] PTC India Limited to Mr. Ratnesh informing him that the joining is treated as incomplete and non-conforming to the joining prerequisites as per Appointment Letter and therefore further processing of joining stands on hold.

Surinder Sharma

From:	[redacted]
Sent:	22 November 2021 11:00
To:	[redacted]
Subject:	Incomplete Joining prerequisite

Dear Sir,

This has reference to the Appointment letter issued to you vide Ref. No. C:PFSL:HR:DIR dated 7th September, 2021 and your acceptance dated 9th September, 2021. Subsequently during your reporting for joining on 29th October, 2021 at PTC India, it was intimated that the candidate is required to submit all the pre-requisite documents including relieving from the parent Organisation as per the Appointment letter. However the requisite documents including the unconditional Relieving letter including Vigilance clearance has not been submitted till date. This is hereby informed that your joining is treated as incomplete and non-conforming to the joining prerequisite as per Appointment letter and therefore further processing of joining stands on hold.

Regards,

[redacted]

Manager (HR)

C N K & ASSOCIATES LLP
MUMBAI
Chartered Accountants

Exhibit Ex-M - Email dated 24th November 2021 from [redacted] to Sh. [redacted] PTC India Limited being the reply of email dated 22nd November 2021.

[redacted]

From:	[redacted]
Sent:	24 November 2021 12:30
To:	[redacted]
Subject:	Reply to mail your dated 22.11.21

Dear Sir,

Please refer to your mail dated 22.11.21.

It is submitted that statement made by you that "......Subsequently during your reporting for joining on 29th October, 2021 at PTC India, it was intimated that the candidate is required to submit all the pre-requisite documents including relieving from the parent Organisation ...... as per the Appointment letter....." is factually incorrect. In fact, at the the time of joining on 28.11.21, relieving letter dated 28.11.21 as issued by NTPC Limited (NTPC), my parent organisation and one of your promoter companies along with copies of educational certificates etc. were made available to an officer of PTC, who offered to hand over the same to an officer of PFS. However, PFS officer was not willing to give any acknowledgement. This was followed by unexpected chaotic developments at PFS office.

Later, I was intimated for the first time on 17.11.21 at about 5.50 pm through your phone call, to submit the relieving letter. I submitted the same as issued by NTPC, vide my mail on the same day (17.11.21 08.40 PM). I also submitted the copies of educational certificates on 18.11.21 by mail.

Requests about further action required to be taken were made by me to senior officers during my visits to PTC/PFS office on 15.11.21. Further, vide my mails dated 17.11.21 and 18.11.21 to you and other officials, I had specifically requested to inform "....details of any other administrative formalities/joining formalities, which need to be completed.....".

However, as no response was forthcoming, I was constrained to bring the matter to the notice of Chairman vide my mail dated 19.11.21, where I requested him to advise the concerned officials to inform me the details of any further formalities needed to be completed.

Further, vide my above-referred email dated 19.11.21 to your chairman, I have explained in detail the system of issuance of relieving letter in NTPC. You may observe from the said mail that a final release certificate is issued after the processing of salary etc., adjusting for any dues and transfer of funds including gratuity to the new organization, which is a mere formality. I would request you that the matter may be taken up by PTC/ PFS with NTPC, informing NTPC details of bank account number etc., where my funds including the gratuity is to be transferred and/or for any further clarification/confirmation as required by you about the system of relieving order/vigilance clearance etc.

Further I may submit that the requirement of vigilance clearance is being raised for the first time. There is no such requirement as per the appointment order dated 07.09.21 nor was it communicated at the time of joining. Reasons for raising new requirements at this late stage are best known to you only. However, I may inform that in NTPC, relieving order is issued after vigilance clearance only.

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Exhibit Ex-M - Email dated 24th November 2021 from [redacted] to Sh. [redacted] PTC India Limited being the reply of email dated 22nd November 2021 (Contd...)

I may submit that it is apparent from the above, that your current mail is wanting on facts and not factually true and seems to have been issued as an afterthought.

Regarding your statement that further processing of joining stands on hold, I am unable to understand the import of your statement as the joining has already been taken on record. In fact, as detailed above, I have been requesting repeatedly to inform details of any formalities, which need to be completed. However, no reply to my mails/discussions has been forthcoming from your side. I may submit that the issue of joining is being dealt separately also and this statement of yours is anomalous and at variance from factual position.

Please feel free to contact me for any further information

With best wishes,

[redacted]

On Mon, 22 Nov 2021 at 11:00 [redacted] rote:

Dear Sir,

This has reference to the Appointment letter issued to you vide Ref. No. C:PFSL:HR:DIR dated 7th September, 2021 and your acceptance dated 9th September, 2021. Subsequently during your reporting for joining on 29th October, 2021 at PTC India, it was intimated that the candidate is required to submit all the pre-requisite documents including relieving from the parent Organisation as per the Appointment letter. However the requisite documents including the unconditional Relieving letter including Vigilance clearance has not been submitted till date. This is hereby informed that your joining is treated as incomplete and non-conforming to the joining prerequisite as per Appointment letter and therefore further processing of joining stands on hold.

Regards,

[redacted]

Manager (HR)

CNK & ASSOCIATES LLP MUMBAI Chartered Accountants

Exhibit Ex-N - Email dated 25th November 2021 from [redacted] PTC India Limited to [redacted]

[redacted]

From: [redacted]
Sent: 25 November 2021 11:17
To: [redacted]
Subject: RE: Reply to mail your dated 22.11.21

Dear Sir,

In our today's trail mail, the date of your e-mail mentioned as 23rd November, 2021 may be read as 24th November, 2021.

Regards,
[redacted]

[redacted] November 2021 11:10
[redacted]
Subject: FW: Reply to mail your dated 22.11.21

Dear Sir,

This has reference to your e-mail dated 8th November, 2021 regarding seeking time to submit the prerequisite documents latest by 22nd November, 2021 i.e. 15 days from the date of your e-mail.

This is reiterated that the joining formalities also includes unconditional release from the current employer, however, subsequently, in response our e-mail dated 22nd November, 2021 regarding your not complying with the joining formalities as per the appointment letter, we are in receipt of another e-mail which does not contain any documents to comply and complete the joining formalities. Instead your e-mail dated 23rd November is having incorrect information regarding date of reporting for completing the joining formalities and it also contains several other misleading and incorrect statements.

In this regard we would like to intimate the followings:-

1. Your joining formalities stand incomplete due to non-submission of the prerequisite documents and completion of other formalities as mentioned in the appointment letter within the stipulated timeline which also includes the extended time sought by you vide e-mail dated 8th November, 2021 which ended on 22nd November, 2021.

2. The non-disclosure of the conditions mentioned in your relieving letter such as provisional release and retaining Lien with the present employment tantamount to concealing of facts while reporting for joining on 29th October, 2021.

In light of the above, we regret to inform you that the issued appointment letter for the position in PFSL and your joining is kept in abeyance and no further communication shall be entertained in this regard

Regards,
[redacted]

Exhibit Ex-O- Email dated 13th December 2021 from [redacted] PTC India Limited to [redacted] NTPC informing her that application from [redacted] was not received through proper channel and no objection certificate issued by NTPC is not available, the joining of [redacted]s kept in abeyance and no further action is being taken in this regard.

Surinder Sharma

From:	[redacted]
Sent:	13 December 2021 15:35
To:	[redacted]
Subject:	Matter related to Sh. Ratnesh

Dear Madam,

Shri Ratnesh, GM, NTPC has applied for the position of Director (Finance) & CFO, PTC India Financial Services Ltd. (PFSL) vide his e-mail dated 6th August, 2021. His application for the position was not received through proper channel. Moreover, as per our records, we do not have the No Objection Certificate issued by NTPC which was to be produced at the time of interview or latest at the time of appointment.

PFSL had offered the position of Director (Finance) and CFO to Shri Ratnesh vide Appointment letter Ref. No.C:PFSL:HR:DIR: dated 7th September, 2021. Shri Ratnesh was supposed to submit the pre-requisite documents including unconditional Release letter from the current employer on the date of his joining i.e. on 29th October, 2021. However, he could not submit the pre-requisite documents on 25th October, 2021 and also during the extended time sought by him vide his e-mail dated 8th November, 2021 which ended on 22nd November, 2021.

Considering the above facts, his joining is kept in abeyance. The same has been intimated to Shri Ratnesh and no further action is being taken in this regard.

The above is for your information please.

Regards,

[redacted]

Manager (HR)

Exhibit Ex-P - Email dated 18th December 2021 from [redacted]ed to[redacted]PFS forwarding him the email dated 13th December 2021 sent to NTPC.

[redacted]

From:	[redacted]
Sent:	18 December 2021 12:21
To:	[redacted]
Cc:	[redacted]
Subject:	Fwd: Matter related to Sh. Ratnesh

Dear Sir,

The trail mail is for your information please.

Regards,

[redacted]

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From: [redacted]
Sent: Monday, 13 December, 2021, 3:34 pm
[redacted]
Subject: Matter related to Sh. Ratnesh

Dear Madam,

Shri Ratnesh, GM, NTPC has applied for the position of Director (Finance) & CFO, PTC India Financial Services Ltd. (PFSL) vide his e-mail dated 6th August, 2021. His application for the position was not received through proper channel. Moreover, as per our records, we do not have the No Objection Certificate issued by NTPC which was to be produced at the time of interview or latest at the time of appointment.

PFSL had offered the position of Director (Finance) and CFO to Shri Ratnesh vide Appointment letter Ref. No.C:PFSL:HR:DIR: dated 7th September, 2021. Shri Ratnesh was supposed to submit the pre-requisite documents including unconditional Release letter from the current employer on the date of his joining i.e. on 29th October, 2021. However, he could not submit the pre-requisite documents on 29th October, 2021 and also during the extended time sought by him vide his e-mail dated 8th November, 2021 which ended on 22nd November, 2021.

Considering the above facts, his joining is kept in abeyance. The same has been intimated to Shri Ratnesh and no further action is being taken in this regard.

The above is for your information please.

[redacted]

[redacted]

Exhibit Ex-Q - Email dated 24th December 2021 from [redacted] GM(HR) NTPC to [redacted] PTC India Limited confirming that [redacted] joined back NTPC in response to [redacted] email dated 23rd December 2021.

Thursday, December 30, 2021 at 10:54:21 AM India Standard Time

Subject: RE: Joining of [redacted]
Date: Friday, 24 December 2021 at 9:38:26 PM India Standard Time
From: [redacted]
To: [redacted]

Dear sir,
It is here by confirmed that [redacted] CGM (Finance), joined back NTPC.
This is for kind information please.

Regards,

[redacted]
GM (HR), CC-EOC

Sent from Mail for Windows

From [redacted]
Sent: 24 December 2021 21:23
To [redacted]
Cc: [redacted]
Subject: FW: Joining of Shri Ratnesh, CGM, NTPC

From: [redacted]
Sent: 23 December 2021 17:05
To: [redacted]
Subject: Joining of [redacted], CGM, NTPC

You don't often get email from [illegible]. Learn why this is important

CAUTION: This Email has been sent from outside the Organization. Unless you trust the sender Don't click links or open attachments as it may be a Phishing email, which can steal your Information and compromise your Computer.

Dear Sir,

Greetings of the day!

It is requested to kindly confirm the current status of Shri Ratnesh , CGM (Fin.), NTPC regarding his joining back in NTPC.

Thank you very much in anticipation.

Best Regards,

[redacted]
Executive Director
(Comml. & Opn and HR)
PTC India Ltd.

CNK & ASSOCIATES LLP MUMBAI Chartered Accountants

Exhibit Ex-R - Email dated 3rd January 2022 from [redacted], PTC India Limited to PFS informing tha[redacted] is an employee of [redacted] on 24th December 2021.

Monday, January 3, 2022 at 3:34:50 PM India Standard Time

Subject: FW: Joining of [redacted] CGM, NTPC
Date: Monday, 3 January 2022 at 1:30:38 PM India Standard Time
From: [redacted]
To: [redacted]
CC: [redacted]

Dear Sir,

As per the mail as received from GM(HR), CC-EOC, NTPC, which is appended hereunder [redacted] CGM (Finance) is an employee of NTPC as on 24.12.2021.

Regards,
[redacted]
ED(C&O and HR&SS)

From: [redacted]
Date: Friday, 24 December 2021 at 9:38 PM
To: [redacted]
Subject: RE: Joining of Shri Ratnesh, CGM, NTPC

Dear sir,
It is here by confirmed that Sh. Ratnesh, CGM (Finance), joined back NTPC.
This is for kind information please.

Regards,

[redacted]
GM (HR), CC-EOC.

Sent from Mail for Windows

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Exhibit Ex-S - Email dated 4th January 2022 from [redacted] to Independent Directors informing tha[redacted] is an employee of [redacted] as on 24th December 2021.

From: [redacted]
Sent: 04 January 2022 12:00
To: [redacted]
Cc: [redacted]
Subject: [redacted]

Tracking:

Recipient	Read
[redacted]	
[redacted]	Read: 04-01-2022 15:47
[redacted]	

Sir(s),

With reference to your observations on circular resolution dated 31st December, 2021 regarding [redacted]lease find the trailing e-mail from PTC (dated 3rd January 2022) for your information & record.

This email is with the approval of competent authority, PFS.

Regards

[redacted]

[redacted]
Sent: Monday, January 3, 2022 1:31 PM
[redacted]
Subject: FW: Joining of Shri Ratnesh, CGM, NTPC

Dear Sir,

As per the mail as received from GM(HR), CC-EOC, NTPC, which is appended hereunder, Shri Ratnesh, CGM (Finance) is an employee of NTPC as on 24.12.2021.

[redacted]
Sent: Monday, January 3, 2022 1:31 PM
[redacted]
Subject: FW: Joining of Shri Ratnesh, CGM, NTPC

Dear Sir,

As per the mail as received from GM(HR), CC-EOC , NTPC , which is appended hereunder , Shri Ratnesh, CGM (Finance) is an employee of NTPC as on 24.12.2021.

Regards,
[redacted]
ED(C&O and HR&SS)

From:[redacted]
Date: Friday, 24 December 2021 at 9:38 PM
[redacted]
Subject: RE: Joining of [redacted]GM, NTPC

1

Dear sir,
It is here by confirmed tha[redacted](Finance), joined back NTPC.
This is for kind information please.

Regards,

[redacted]
GM (HR), CC-EOC.

Sent from Mail for Windows

Exhibit Ex-T– CS email for the 144th Board meeting

[illegible]

Ref. No. [illegible]

Date: 14th January, 2022

[redacted]

Sir/Madam,

[illegible]

[illegible]

[redacted]

[illegible]

Sir/Madam,

[illegible]

[illegible]

[illegible]

Thanking you,

With Best Regards

[redacted]

Company Secretary

PTC India Financial Services Limited

CNK & ASSOCIATES LLP MUMBAI

Exhibit Ex-U – [redacted] email dated 16th January 2022

From: [redacted]
Sent: [illegible]
To: [redacted]
[redacted]
Subject: [illegible]

[redacted]

I observe that no invitation has been sent to Shri Ratnesh, director PFS.

Being Board appointed and having reported to Exchange, his cessation if any from the Board has to be through Board approval

Until then he remains a director and any Board meeting without notice to him will be invalid.

Until then he remains a director and any Board meeting without notice to him will be invalid

This is basic corporate governance and has been [illegible] by directors, including ruling from the Chair of an earlier meeting which [illegible] on this ground had to be discontinued

It is a matter of considerable disquiet that despite all this, a Board meeting is again proposed to be convened without a notice to Shri Ratnesh, by brushing Directors observations.

Needless to add all background papers on the Ratnesh matter including correspondence from Shri Ratnesh to PTC/PFS will have to be placed before a validly convened Board by way of memorandum from PFS management to enable the Board take a decision.

Regards

ASSOCIATES LLP MUMBAI Accountants

Exhibit Ex-V – Company Secretary email dated 17th January 2022

On Mon, 17 Jan, 2022, [illegible] [redacted]

Sir,

[illegible]

[illegible]

The Board in its meeting held on [illegible] [illegible] complete the joining formalities.

Further, as per the statutory provisions, [illegible]

[illegible]

Considering the above, till the same is deliberated by the Board, [illegible] as he has joined back NTPC.

[illegible]

[illegible]

[illegible]

Regards

[redacted]

Exhibit [redacted]mail dated 18th January 2022

[illegible]
[redacted]
[illegible] Board Meeting of PTC India Financial Services Limited (PFS)
[redacted]

As per your e-mail [illegible], the notices of the [illegible] meeting of the Board and Audit Committee were sent to Shri Ratnesh as Director. Therefore, all the [illegible] pertaining to his joining had been settled by the Board [illegible] meeting held on [illegible] November.
The Board had then clearly ruled that any meeting shall be invalid if the notice is not issued to all the Directors.
PFS had subsequently issued the notice of [illegible] meeting to Shri Ratnesh also, as director.

It appears from the correspondence of PTC to Shri Ratnesh [illegible] that he was [illegible].
I fail to understand how a director appointed by PFS Board could be [illegible] by [illegible] with no intimation to PFS Board from PFS management.

Can PTC as parent company, take [illegible] on PFS whole time director after he has already issued [illegible] notice of the meetings [illegible] by PTC management?

As already pointed out [illegible] Shri Ratnesh has been appointed by the Board and his [illegible] as a Director have to be [illegible] only through the Board of PFS.

Other than you forwarding correspondence from PTC [illegible] (any [illegible] by Shri Ratnesh) there is no agenda from PFS management in this matter.
PFS management cannot walk away from their responsibility towards the Board and the shareholders.

It is not possible to discuss this matter in the coming Board meeting as the material sent is completely inadequate.

As already requested by IDs earlier we would like all details, correspondence including [illegible] sent by Ratnesh to PTC/PFS, full details of [illegible] given and opinion of any lawyers that PTC/PFS have consulted.

As already requested by IDs earlier we would like all details, correspondence including [illegible] sent by Ratnesh to PTC/PFS, full details of [illegible] given and opinion of any lawyers that PTC/PFS have consulted.
In this connection please refer to the letter Dt 7.12.2021 on this subject from the [illegible] IDs to [illegible] PFS. I would like to reiterate the points made in that letter.
In fact it is highly inappropriate for the management to even suggest that a discussion on this should be done with only select partial material.

Till this is done and the Board comes to a decision on this matter, not inviting Mr Ratnesh or any other director to the Board meeting makes this meeting an invalidly convened one.

Regards
[redacted]

C N K & ASSOCIATES LLP MUMBAI

Exhibit Ex-X – Thomas Mathew email dated 19th January 2022

TM [redacted]
Wed 19 Jan 2022 [illegible]

To [redacted]

Cc [redacted]

Display now | External images are not displayed

[redacted]

I fully agree with the mail [redacted] matter regarding Mr.Ratnesh was decided by the Board of PFS on 8-11-2021 and he was invited as Director, to the Audit Committee and Board meeting. Now to say that he is no more with PFS without the matter being discussed and decided by the Board of PFS is strange and wrong. As mentioned by Mr.Nayar. It seems Mr.Ratnesh, Director of PFS, was unilaterally terminated from PFS without information or decision of PFS Board.

I also find that the notice for the Board meeting on 22-1-2022 is not served on all Directors and hence the meeting is irregular and invalid. There is also no agenda for the Board meeting to discuss this matter nor any agenda regarding various serious lapses and Governance issues in the Company which the IDs have been raising for long in our several mails. This is unacceptable.

[redacted]

Exhibit Ex-Y – Information to Stock exchange about the resignation of 3 Independent Directors

Date: 19th January, 2022

Manager	General Manager
Listing Department/ Department of Corporate Relations	**National Stock Exchange of India Limited**
BSE Limited	Exchange Plaza, C-1, Block G,
Phiroze Jeejeebhoy Towers, Dalal Street,	Bandra- Kurla Complex, Bandra (East),
Mumbai- 400001	Mumbai- 51
Scrip Code : 533344	Scrip Code : PFS

Sir/ Madam,

Sub: Intimation for resignation of Independent Director (s)
Ref: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosures Regulations), 2015

This is to inform that the [redacted]ikamsey, Independent Director (DIN : 00059620), Sh. [redacted]T., Independent Director (DIN:00130282) and [redacted]ndependent Director (DIN :02175871) vide their resignation letters dated 19th January, 2022 have resigned as Independent Director (s) on the Board of PTC India Financial Services Limited with immediate effect, on account of reasons as mentioned by them in their resignation letters which are enclosed herewith.

Further, the Company has received confirmations from the Independent Directors that there are no other material reasons for their resignation other than those which is provided in their resignation letters dated 19th January, 2022.

Further, the Company has received confirmations from the Independent Directors that there are no other material reasons for their resignation other than those which is provided in their resignation letters dated 19th January, 2022.

This is for your information and record please.

Yours faithfully,
For PTC India Financial Services Limited

[redacted]

Company Secretary
Enclosed:

1. Annexure- A- Resignation letter dated 19.01.2022 from [redacted].
2. Annexure- B- Resignation letter dated 19.01.2022 from [redacted]
3. Annexure- C- Resignation letter dated 19.01.2022 from [redacted]

PTC India Financial Services Ltd. (CIN: L65999DL2006PLC153373)
(A subsidiary of PTC India Limited)
Registered Office: 7th Floor, Telephone Exchange Building, 8 Bhikaji Cama Place, New Delhi - 110 066, India
Board: +91 11 26737300 / 26737400 Fax: 26737373 / 26737374, Website: www.ptcfinancial.com, E-mail: info@ptcfinancial.com

Exhibit Ex-Z1: SEBI Email dated 20th January 2022- Regarding the non-sending of the notice of the Board Meeting t[redacted]nd agenda on corporate governance in the Board Meeting to be held on 22nd January 2022.

[redacted]
Sent: Thursday, January 20, 2022 2:13 PM
[redacted]
Cc: [redacted]
Subject: Conduct of Board meeting dated January 22, 2022 by PTC India Financial Services Ltd. (the Company)

Sir,

This has reference to the resignation letter from IDs – Mr. S B Nayar, Mr. Thomas Mathew, Mr. Kamlesh Shivji Vikamsey- dated January 19, 2022. In the said resignation multiple issues pertaining to corporate governance have been highlighted which include

1. Management not providing information called upon by the Board/ Independent Directors.
2. Management disclosing selective or skewed information to the Board/ IDs.
3. Failure of the management to address issues highlighted by ex-Chairman in Board meeting dated August 05, 2021.
4. Unilateral change in conditions of loans by the management without furnishing the said information to the Board

In addition to the above, the company has scheduled a Board meeting on January 22, 2022, for which notice had been issued on January 14, 2022. However, in their resignations, the IDs have specified that the notice was not served to all the directors. Further, the upcoming board meeting does not contain any agenda addressing corporate governance concerns raised in Board meeting dt. August 05, 2021.

In view of the above, you are advised to clarify how the conduct of upcoming Board meeting dt January 22, 2022 is valid. Please provide your response by E.O.D today.

Please treat this urgent and important.

Regards,

[redacted]
Corporation Finance Department (CFD)
Securities and Exchange Board of India
SEBI Bhavan, Mumbai
Phone -91 22 2644 9673

भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

CNK & ASSOCIATES LLP MUMBAI Chartered Accountants

Exhibit Ex-22: PFS Reply to the SEBI Email dated 20th January 2022- Regarding the non-sending of the notice of the Board Meeting to [redacted] and agenda on corporate governance in the Board Meeting to be held on 22nd January 2022.(Contd...)

From:	[redacted]
Sent:	20 January 2022 18:41
To:	[redacted]
Cc:	[redacted]
Subject:	FW: Conduct of Board meeting dated January 22, 2022 by PTC India Financial Services Ltd. (the Company)

Sir,

In reference to the resignation given by the Independent Directors and trailing e-mail, we would like to submit the following:-

1. With respect to the notice of the Board Meeting, we would like to submit that the notice of the ensuing Board Meeting to be held on 22nd January, 2022 has already been sent to all the Directors of the PFS. The notice of the Meeting was not sent to Sh. Ratnesh because as per the information available with the Company he has joined back NTPC Ltd. as CGM.

2. Secondly, with regard to the governance issue highlighted by the Ex- Chairman, we would like to submit that management of the Company has already given the point wise reply to all the points raised in the Board Meeting held on 05th August, 2021 and the same were duly recorded in the minutes of Board Meeting held on 05th August, 2021. The minutes of the said Board Meeting were already confirmed by all the Board Members and were noted in the next Board Meeting.

We hope that the above will clarify the issue and in case of any further clarification is required we will be happy to provide.

Best Regards,
[redacted] Asst. Company Secretary | PTC India Financial Services Limited
7th Floor, Telephone Exchange Building, 8 Bhikaji Cama Place, New Delhi 110066 (India)
PTC India Financial Services Limited
The most preferred financial services partner in the entire energy value chain

Exhibit Ex-AA1: SEBI Email dated 21st January 2022- SEBI did not accept Company reply on the above email and desired explanation from the compliance officer

From: [redacted]
Sent: Friday, January 21, 2022 5:29:46 AM
To: [redacted]
Cc: [redacted]
Subject: RE: Conduct of Board meeting dated January 27, 2022 by PTC India Financial Services Ltd. (the Company)

Sir,

The response provided by you in the trailing mail is very unsatisfactory and does not answer the question regarding validity of the Board meeting dt. 21.01.2022. In this regard, you may note:

1. [redacted] appointed on September 14, 2021 as WTD and CFO of the company. However, it is seen that there is no announcement pertaining to Mr. Ratnesh's resignation, made by the company to the exchanges. In these circumstances, it is assumed that Mr. Ratnesh is still associated with the company and the company should have sent notice of the Board meeting to Mr. Ratnesh. In this regard, the company's assertion that notice of Board meeting was sent to all the members, is misleading.
2. While the company has maintained that point wise reply to all the points raised in the Board meeting dt. August 05, 2021 have been minuted, the fact remains that the IDs have resigned citing the same issues, which means that the issues still remain unaddressed. A vital theme in these minutes and ID resignation is lag in flow of information/ no flow of information. In this regard, it is seen that Compliance officer has failed to diligently inform Board regarding updates on the issues raised by them. The compliance officer is advised to provide an explanation on the same.

You are advised to address the issues raised above, latest by 12:00 pm, today (January 21, 2022)

Regards,
[redacted]
Compliance and Monitoring Division – II
Corporation Finance Department (CFD)
Securities and Exchange Board of India
SEBI Bhavan, Mumbai

Exhibit Ex-AA2: SEBI Further Email dated 21st January 2022- SEBI asks for the agenda for the Board Meeting and Chronology of events w.r.t to joining of [redacted] (Contd.....)

From: [redacted]
Sent: 21 January 2022 12:54
To: [redacted]
Cc: [redacted]
Subject: Re: Conduct of Board meeting dated January 22, 2022 by PTC India Financial Services Ltd. (the Company)
Attachments: image001.jpg; image002.jpg; image004.jpg

Sir,

In addition to the trailing mail, you are advised to provide the following:
1. Chronology of events starting from appointment of [redacted] present date
2. Agenda of Board meeting scheduled on January 22, 2022.

While you are advised provide the chronology by tomorrow (22/01/2022), you are advised to provide the agenda of Board meeting by today, on an urgent basis

Regards,
[redacted]
CFD/CMD-2
SEBI
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Exhibit Ex-AA3: PFS sent the agenda on 21st January 2022

From: Ankit Jain [mailto:ankit@ptcfinancial.com]
Sent: 21/01/2022 14:51
To: Adwait Abhay Dahale <adwaitad@sebi.gov.in>; SURABHI GUPTA <surabhig@sebi.gov.in>
Cc: Vishal Goyal <vishalgoyal@ptcfinancial.com>
Subject: RE: Conduct of Board meeting dated January 22, 2022 by PTC India Financial Services Ltd. (the Company)- Part-1

Sir,

Please find attached the part-2 for the Agenda for the Board Meeting.

Exhibit Ex-AA4: SEBI Email dated 21st January 2022- SEBI desires explanation on how the Board Meeting can be held without having the quorum as per Regulation 17(2A) of SEBI Listing Regulations (Contd...)

From: [redacted]
Sent: 21 January 2022 19:40
To: [redacted]
Cc: [redacted]
Subject: RE: Conduct of Board meeting dated January 22, 2022 by PTC India Financial Services Ltd. (the Company)- Part-1

Sir,

In addition to the queries raised in the trailing mail, your attention may be brought to the following

It is understood that after the resignation of 3 IDs, there are no IDs on the Board of your company. You may note that as per Reg. 17(2A) of SEBI (LODR) Regulations, 2015, the quorum for every meeting of the board of directors shall be one-third of its total strength or three directors, whichever is higher, including at least one independent director.

In the absence of any ID on the Board of your company, you are advised to confirm the validity of the Board Meeting to be held on January 22, 2022, as per provisions of SEBI (LODR) Regulations, 2015. You are advised to submit your response, latest by 9:30 am, January 22, 2022.

Please treat this as urgent and important.

Regards,
[redacted] Division – II
Corporation Finance Department (CFD)
Securities and Exchange Board of India
SEBI Bhavan, Mumbai
Phone: +91-22-2644 9673

भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

Exhibit Ex-AB1: PFS Reply dated 22th January 2022- To the email of SEBI dated 21st January 2022

From: [redacted]
Sent: 22 January 2022 12:37
To: [redacted]
Cc: [redacted]
Subject: RE: Resignation of Independent Directors (IDs) of PTC India Financial Services Limited (the 'company') and conduct of Board Meeting on January 22, 2022 at 1:30 pm

Sir,

In reference to the your trailing email with respect to the validity of the ensuing Board Meeting of the Company, we would like to submit following points for your kind consideration:-

1. Forthcoming Board Meeting of the Company was already scheduled to be held on 22nd January, 2022 and the notice and the agenda of the same were already circulated on 14th Jan., 2022;

2. However, in the meantime 3 numbers of Independent Directors on the Board of the Company resigned vide letter dated 19th January, 2022 and the same was intimated to the stock exchanges on 19th January, 2022;

3. Consequent to the resignation of 3 Independent Directors, the Company has left with only 3 Director's with no Independent Director

4. We fully understand that being a 1000 listed entity, PFS is under obligation to comply with the requirement of Quorum for Board Meeting as stipulated in <u>Regulation 17(2A) of SEBI(LODR)Regulations,2015,reproduced below for reference;</u>

<u>**"Quote"**</u>

The quorum for every meeting of the board of directors of the top 1000 listed entities with effect from April 1, 2019 and of the top 2000 listed entities with effect from April 1, 2020 shall be one-third of its total strength or three directors, whichever is higher, including at least one independent director.

Explanation I—For removal of doubts, it is clarified that the participation of the directors by video conferencing or by other audio-visual means shall also be counted for the purposes of such quorum.

Explanation II - The top 1000 and 2000 entities shall be determined on the basis of market capitalisation, as at the end of the immediate previous financial year.

Explanation II - The top 1000 and 2000 entities shall be determined on the basis of market capitalisation, as at the end of the immediate previous financial year.

"Unquote"

5. To overcome this situation, the company proposes to take help of the provisions of the Articles of Association of PFS as well as the provisions of the Companies Act,2013 for complying with the quorum requirement as under:

"Quote"

Relevant provisions of the AOA

Article-84(4) The quorum for the meeting of the board shall be one third of its total strength or two Directors, whichever is higher, subject to section 287 of Companies Act, 1956. Provided that there shall be no quorum in any meeting unless at least one nominee directors of PTC are present.

Article-87. The continuing directors may act notwithstanding any vacancy in the Board; but, if and so long as their number is reduced below the quorum fixed by these Articles for a meeting of the Board, the continuing directors or director may act for the purpose of increasing the number of directors to that fixed for the quorum, or of summoning a general meeting of the Company, but for no other purpose.

Exhibit Ex-AB2: SEBI issues direction to the Company to address the governance issues before holding any board meeting and also to file action taken report within 4 weeks

From: [redacted]
Sent: 22 January 2022 12:02
To: [redacted]
Subject: Resignation of Independent Directors (IDs) of PTC India Financial Services Limited (the 'company') and conduct of Board Meeting on January 22, 2022 at 1:30 pm

Sir,

Kind Attn: [redacted] Compliance Officer, PTC India Financial Services Ltd.

1. SEBI is in receipt of resignations dated January 19, 2022 from the Independent Directors of the company. The IDs have resigned citing core and serious governance lapses which were also raised by the ex-chairperson Mr Amitabh.

7

2. The issues highlighted by IDs and ex-Chairman allude to serious failure of corporate governance norms and internal control mechanism in the company. The company is therefore directed to address the CG issues and all other issues raised by the resigning IDs and ex-Chairperson first, before holding any Board meeting

3. The company is further directed to file an Action taken report in the regard to SEBI within 4 weeks of receipt of this e-mail.

Regards,
[redacted]
Compliance and Monitoring Division – II
Corporation Finance Department (CFD)
Securities and Exchange Board of India
SEBI Bhavan, Mumbai

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

Exhibit Ex-AC2: SEBI Email dated 24th January 2022- SEBI informed the Company that exemption request dated January 22, 2022 would be taken up only after the company submits aforesaid ATR to SEBI

From: [redacted]
Sent: 24 January 2022 18:58
To: [redacted]
Cc: [redacted]
Subject: RE: Resignation of Independent Directors (IDs) of PTC India Financial Services Limited (the "company") and conduct of Board Meeting on January 22, 2022 at 1:30 pm

Sir,

This has reference to the application of PTC India Financial Services Ltd. seeking exemption from compliance with Regulation 17(2A) of SEBI (LODR), 2015.

It may be noted that vide email dated January 22, 2022, the company was directed to file an Action taken report (ATR) regarding Corporate governance issues highlighted by IDs/ ex-Chairman, to SEBI within 4 weeks.

In this regard, you are informed that the exemption request dated January 22, 2022 would be taken up only after the company submits aforesaid ATR to SEBI.

The above is being sent to you with the approval of competent authority.

Regards,
[redacted]mpliance and Monitoring Division – II
Corporation Finance Department (CFD)
Securities and Exchange Board of India
SEBI Bhavan, Mumbai
Phone-91-22-2644 9673

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Exhibit Ex-AD1: PFS Request for granting time to submit the reply- Email dated 27th January 2022

From:	[redacted]
Sent:	27 January 2022 17:40
To:	[redacted]
Cc:	[redacted]
Subject:	RE: Resignation of Independant Directors (IDs) of PTC India Financial Services Limited (the 'company') and conduct of Board Meeting on January 22, 2022 at 1:30 pm

Sir,

In reference to your trailing email dated 24th January, 2022 for submission of the point wise reply to the resignations of Independent Directors, we would like to request you that considering the current CoVID pandemic situation in Delhi, the Company may kindly be allowed to submit the reply by early next week.

Best Regards,
[redacted] Asst. Company Secretary | PTC India Financial Services Limited
7th Floor, Telephone Exchange Building, 8 Bhikaji Cama Place, New Delhi 110066 (India)
PTC India Financial Services Limited
The most preferred financial services Partner in the entire energy value chain

Exhibit Ex-AD2: SEBI Email dated 27th January 2022- SEBI desired for VC of meetings and other minutes

From:	[redacted]
Sent:	27 January 2022 15:08
To:	[redacted]
Cc:	[redacted]
Subject:	RE: Conduct of Board meeting dated January 22, 2022 by PTC India Financial Services Ltd. (the Company)- Part-1

Sir,

In addition to the trailing mail, you are advised to provide the following

1. Video recordings of
   a. Audit Committee Meetings conducted in past calendar year 2021 till date
   b. Risk Management Committee conducted in past calendar year 2021 till date
   c. NRC conducted in past calendar year 2021 till date
   d. Board meetings conducted in past calendar year 2021 till date
2. Minutes of
   a. Audit Committee Meetings conducted in past calendar year 2021 till date
   b. Risk Management Committee conducted in past calendar year 2021 till date
   c. NRC conducted in past calendar year 2021 till date
   d. Board meetings conducted in past calendar year 2021 till date
3. Background note on the legal opinion sought by the management on Mr. Ratnesh's appointment.
4. Minutes of Business committee, Board meeting and Audit committee meeting where issue of NSL was taken up
5. Forensic Audit Report dated November 28, 2018, commissioned by the company on the NSL account.

You are advised to provide the aforesaid documents, latest by February 01, 2022.

Regards,
[redacted]
Compliance and Monitoring Division – II
Corporation Finance Department (CFD)
Securities and Exchange Board of India
SEBI Bhavan, Mumbai
Phone:+91-22-2644 9673

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CNK & ASSOCIATES LLP MUMBAI Chartered Accountants

Exhibit Ex-AE: PFS Reply dated 1st February 2022- Submitted documents as desired by SEBI in email dated 27th January 2022

From: [redacted]
Sent: 01 February 2022 22:46
To: [redacted]
Cc: [redacted]
Subject: RE: Conduct of Board meeting dated January 22, 2022 by PTC India Financial Services Ltd. (the Company)- Part-1

Sir/ Madam,

In reference to the your trailing e-mail dated 27th January, 2022, we would like to submit that being the documents are in large size, the documents as required are being shared in the common drive.

You may access the documents via following link or the link received on your e-mail:-

Link: https://[illegible]-my.sharepoint.com/:f:/g/personal/[illegible]_ptcfinancial_com/[illegible]1Ra88XO?e=89C4BA

In case you require the same to be submitted in the hard copy/ soft copy in pen drive, you may please inform so that we can provide the same.

Further, in case you face any issue in accessing the documents via the above link, you may please inform.

Best Regards,
[redacted] Company Secretary| PTC India Financial Services Limited
7th Floor, Telephone Exchange Building, 8 Bhikaji Cama Place, New Delhi 110066 (India)

Exhibit Ex-AF1: PFS email on Point wise reply- 2nd February 2022

From:	[redacted]
Sent:	02 February 2022 23:33
To:	[redacted]
Cc:	[redacted]
Subject:	RE: Resignation of Independent Directors (IDs) of PTC India Financial Services Limited (the "company") and conduct of Board Meeting on January 22, 2022 at 1:30 pm
Attachments:	02022022 - Final version for Filing.docx; Annexures.pdf

Sir/ Madam,

In reference to your trailing e-mail of 24th January, 2022, please find attached documents.

Best Regards,
[redacted]st. Company Secretary| PTC India Financial Services Limited
7th Floor, Telephone Exchange Building, 8 Bhikaji Cama Place, New Delhi 110066 (India)

Exhibit Ex-AF2: PFS Point wise reply- 2nd February 2022

11. At the next meeting held on 08.11.2021, the Resigning IDs refused to allow transaction of business in the absence of one [redacted](DIN: 08603968) whose appointment as the Director (Finance) and Chief Financial Officer was approved by the Board. Since he had admittedly failed to complete the joining formalities (including release from [redacted] (his then-erstwhile employer) and vigilance clearance) and had sought time till 22.11.2021 to do so, PFS had taken legal advice as to his status *qua* the company. Upon receiving written legal opinion from Mr. [redacted]dl. Solicitor General, Government of India that the joining process remained incomplete, and [redacted] having admitted to this position, the company had decided not to invite him for the board meeting. Despite this explanation, along with necessary supporting documents, the Resigning IDs and [redacted] refused to allow conduct of business, despite requests by the executive members of the Board. They were able to do so as they cumulatively held majority on the Board. At the adjourned meeting held on 09.11.2021, a similar non-cooperative stance was continued, as the Resigning IDs (along with Mr. Kacker) refused to restore the human resources powers of the executive management, despite express directions to this effect by the RBI. Despite [redacted]g reverted to his parent employer i.e. [redacted]he Resigning IDs continued to raise the issue of his not being invited to the Board meeting (discussed in detail below).

It is understood that the entire process followed while recommending [redacted] to the Board of PFS was subjected to an audit by PTC and a report issued found the process to be non-transparent, non-compliant with the principles of good governance and otherwise void ("[redacted]Report"). This report has been discussed in detail in subsequent paragraphs. Coincidentally, the Resigning IDs submitted identically worded resignations on the date when it was circulated. See at **Annexure D** for copy of the[redacted]eport.

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15. ***Re: Issue (a) - Issues concerning the appointment of [redacted] Whole-time Director (Para 5(i) (and sub-paras thereof) of the Resignation Letters)***

a. At a meeting held on 21.06.2021, the NRC (then comprising only [redacted]alled upon the Human Resources department of PFS to coordinate with PTC India Limited and [redacted] (in his capacity as the Head – HR, PTC India Limited) was given the responsibility to issue advertisement for the appointment of the Director (Finance) – a post which had admittedly remained vacant since 2018. While no qualifications for the proposed appointee were identified, it was caveated that suitably liberal compensation should be offered to attract good candidates. Subsequently, at the meeting of the NRC held on 17.06.2021, it was decided to instead to circulate the invite candidates to four companies who were shareholders of PTC. (<u>including</u> NTPC Ltd.) (Mr. Ratnesh, who was finally selected for

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PFS

appointment, was the junior of one of the nominee directors a[redacted]) and not issue an advertisement. The entire recruitment process, including shortlisting and finalization of candidature, was managed by [redacted] (despite RBI's observations with regard to PTC India Limited's role in PFS' HR processes and [redacted]volvement). Inputs of the management on suitability of candidates were not taken note of.

[redacted]as subsequently appointed by PTC India Ltd. to conduct an audit of this process and has submitted the KPMG Report. A summary of the conclusions, observing that the process was *inter alia* non-transparent, contrary to industry best practices PFS' own policies, is set out below.

> *"The process followed for the hiring of the Director – Finance and the Director – Operations was evaluated from the lenses of compliance, industry alignment of practices and from a governance perspective and was found to have multiple gaps across every stage of the hiring and selection process.*

MUMBAI

Right from the identification of the need for the position to creating the job descriptions and the ideal candidate profile, there was no consideration given to the industry and the practices of some of the leading NBFCs. This was done in an environment where there have been large public scandals and lapses in governance. The hiring committee did not place due emphasis on assessing the current capability of the Board and finding candidates/profiles who complement the existing skill sets nor did the committee focus on identifying the right individuals to assess the incoming profiles.

The applications were invited from the Group itself, despite 3 of the 4 group companies belonging to a power generation and transmission background. Despite emails from the CEO & MD for looking at individuals from the open market to bring in a fresh perspective, there were limitations on the diversity of the talent pool while in the past applications were posted in newspapers and solicited applications from the open market. This was followed by a short

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application window, no guidelines on the minimum number of candidates that need to apply to a position for the candidates to be evaluated and the position to be filled. Additionally, the entire process was carried out in a hushed manner with unexplained and unwarranted secrecy and speed wherein no relaxations in age were given to internal candidates who came from a NBFC background.

Considering that the entire process was driven by the Group CRO and applications were only accepted from the Group, the independence in the assessment of the candidates can not be guaranteed. Additionally, despite notices from the RBI on the absence of Arm's Length between the Group and the organization, no steps were taken to ensure diversity of candidatures and/or selection panel.

Additionally, the candidate who was selected in the Director – Finance post was from a non – NBFC background despite the job description explicitly mentioning 20+ years of experience in an NBFC as a fundamental requirement. There was no scoring of candidates, no formal documented

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Additionally, the candidate who was selected in the Director – Finance post was from a non – NBFC background despite the job description explicitly mentioning 20+ years of experience in an NBFC as a fundamental requirement. There was no scoring of candidates, no formal documented evaluation, no psychometric evaluations and more importantly there were no one – one discussion(s) with the immediate hiring manager and with the Board of the candidates (besides the hiring committee). There was no consensus with the MD & CEO who also happens to be the role holder who is responsible for daily operational interactions and for deciding and working on the joint strategic directive for the organization, with the selected candidate. The importance of consensus in hiring a senior managerial position cannot be re-emphasized.

Besides this there were irregularities in submitting documents on time from the candidates and, the issue of deputation for the hired incumbent and specific changes in the remuneration post the offer had been released once.

Considering that the organization is listed, operates in a highly regulated environment and there are significant irregularities in the process. The

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organization should relook at the entire hiring process including the current hiring of the Director – Operations and the Director - Finance and re-evaluate the director selection process that is being followed in the organization. Additionally, the organization needs to look at introducing effective mechanisms to measure and evaluate the performance of the Board and its Directors to ensure that the due process is followed, and appropriate feedback can be communicated to Directors and Board members in a systemic and scientific manner."

b. At the 138th meeting of the Board of PFS, the recommendation of the NRC was considered and appointment of Mr. Ratnesh as a Whole-time Director for the post of Director (Finance) was approved, on an absorption basis. It may be noted that the appointment was subject to completion of the following activities: issuance of letter of offer, acceptance [redacted] approval from the Audit Committee and other applicable laws. The terms of his offer were approved at the 139th meeting of the Board of PFS held on 13.09.2021. As was the internal compliance position of PFS, it informed the stock exchanges as to the decision taken by the Board to appo[redacted] was expressly and unanimously understood that he had not been appointed as a Director merely on account of the Board approval

MUMBAI

and other applicable laws. The terms of his offer were approved at the 139th meeting of the Board of PFS held on 13.09.2021. As was the internal compliance position of PFS, it informed the stock exchanges as to the decision taken by the Board to appoint Mr. Ratnesh. It was expressly and unanimously understood that he had not been appointed as a Director merely on account of the Board approval and such appointment would only be effective when he joined PFS after completing all the necessary and stipulated process. See at **Annexure E** for copy of the minutes of the 139th meeting of PFS.

c. An offer letter was issued on 07.09.2021 by the Non-Executive Chairperson (even before the same was approved by the Board of PFS). On 09.09.2021, while Mr. Ratnesh accepted the same, he indicated that he would be joining only by 29.10.2021. The offer letter categorically set out the preconditions for joining.

d. It is categorically borne out from the minutes of the NRC and the 139th Meeting of the Board that the appointment was approved on a representation by Mr. Rajiv Malhotra that [redacted]as joining on an absorption basis. Yet, on 28.10.2021 (after repeated reminders), Mr. Ratnesh submitted a conditional release letter issued by NTPC for joining PFS, for a period of two years. The provisional release order from NTPC further reflected that there was a retention of lien till 30.09.2023

for the position of the Chief General Manager at [redacted]contrary to the appointment on absorption basis. It may also be noted that the guidelines of the Department of Public Enterprises (DPE) prohibit maintaining a lien when leaving a PSU and joining a private company. Sh. Ratnesh has not furnished an order from DPE waiving this restriction though he had maintained a lien with NTPC when he came to join PFS. Moreover, PFS is a private NBFC and is listed on BSE and NSE, and per PFS HR policy, lien is not permissible. That apart, [redacted] did not submit his Vigilance and medical clearance on 29.10.2021, which were mandatory requirements for joining. Thus, he never joined on 29.10.2021, although a contrary position is sought to be canvassed in the Resignation Letters to misinform the regulators, the other stakeholders and the Board.

e. Despite these facts, it appears that [redacted] on 29.10.2021 sought to confirm that Mr. Ratnesh had been on-boarded as a Director. Incidentally, [redacted] was a non-executive Director on the Board of PFS and Chief Risk Officer of PTC India Limited. He had no involvement in the day-to-day operations of the company.

f. Even otherwi[redacted]came to be appointed as a Director of PFS. The mere fact that the Board had approved his appointment did not ren[redacted] a Director of the company. Contrary to the conditions of his appointment, Mr. Ratnesh failed to submit an unconditional release letter from his former employer. He did not submit his consent in DIR-2 for appointment as a Director, and disclosure of interest in MBP-1 and DIR-8. Thu[redacted] not completed critical steps towards the appointment as a director of PFS. Further, since he did not join, no DIR-12 had been filed by PFS. Even after taking further time till 22.11.2021 to complete these steps, he did not do so and in fact, went back into the employment of [redacted] on 06.12.2021. Accordingly, since [redacted] did not complete the formalities of joining the Board of PFS as a Wholetime Director, PFS was not required to make any disclosures to this effect, and accordingly, no such filing was done.

g. PFS has, from time to time, obtained legal opinion from reputed Senior Advocates and an Additional Solicitor General, Government of India, who have confirmed

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Board: +91 11 26737300 / 26737400 Fax: 26737373 / 26737374, Website: www.ptcfinancial.com, E-mail:

PFS

that [redacted] in fact, not been appointed as a whole-time director of PFS. All allegations to the contrary in the Resignation Letters are farcical and directed at misleading the stakeholders, regulators and the Board. See at **Annexure F** for copy of the legal opinion received in this regard by PFS.

h. It is incorrect that the current Chairperson and MD&CEO of PFS did not take steps to enable the functioning of [redacted] alleged or otherwise. PFS (including its MD&CEO and its employees) had, in fact, no role in the appointment and joining of [redacted] was not in their or PFS's control to obtain Vigilance Clearance, an unconditional Release Letter, or the regulatory compliance from Mr. Ratnesh. Absent these and given Mr. [redacted]failure to execute necessary documents in furtherance of the decision of the Board to appoint him, there was nothing that PFS could have done to take steps to appoint him. Where the very appointment was incomplete, there was no question of facilitating his functioning. PFS did not put the appointment of [redacted] hold, as[redacted]himself did not complete the prerequisites for the joining. As regards his decision to revert to NTPC Ltd. on 06.12.2021, the same came to the attention of PFS only on 03.01.2022 from PTC India Limited and was forwarded to the Resigning IDs on 04.01.2022 itself.

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i. PFS not being privy to the reasons for which [redacted]hose to avoid the deputation and remain in NTPC, was not a position to provide the same to the Resigning IDs.

j. The Resignation Letters falsely allege that the Resigning IDs were not informed that [redacted]s attempting to join on lien from [redacted]FS itself, not having been allowed to be involved in the appointment process, received the correspondence from PTC India Ltd. on 03.01.2022 and 15.01.2022 respectively, and shared the same with the Resigning IDs on 04.01.2022 and 15.01.2022 respectively. As regards why the said facts were not placed before the Board earlier, the same is simply for the reason that there had not been any Board meeting since 09.11.2021, and discussion on this issue was proposed at the next board meeting, as borne out from PFS' email dated 15.01.2022, along with a detailed note on this issue and all correspondence sought by the Resigning IDs in

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this regard (as made available by PTC India Limited). See at **Annexure G (Colly.)** for copy of the emails dated 04.01.2022 and 15.01.2022.

k. From time to time, as and when documents/information were sought by the Resigning IDs, the same was made available, as borne out from contemporaneous communications. All necessary and relevant documents, as were available with PFS, have been shared with the Resigning IDs, as required by them from time to time. Given that the entire process was being undertaken by PTC India Limited, PFS had only limited information and documents, which it shared with the Independent Directors. In fact, the Chairperson of PFS, *vide* his email dated 10.12.2021 (in response to their email of 07.12.2021), categorically informed that *"the whole process of selection, appointment and joining of [redacted]has been handled by PTC-HR. I have issued necessary instructions to the concerned officials in PTC to get the matter examined holistically and address the issue on priority as requested by Independent Directors"*. As borne out from the above, the decision to have the entire appointment process run by PTC was taken in the meeting of the NRC held on 21.06.2021 and chaired by Mr. Nayar, one of the Resigning IDs and noted by the Board (in the presence of all the Resigning IDs). See at **Annexure H** for copy of the emails dated 07.12.2021 and 10.12.2021.

l. It is denied that the Chairperson or the MD&CEO have, in any manner, acted in violation of the provisions of the Companies Act, 2013, or in blatant disregard for the board process, governance or compliance, as alleged or at all. PFS and its officials have not sought to override the decision of the Board of PFS. Given that [redacted] working with NTPC Ltd. and has not exhibited any inclination to join PFS on the terms on which the approval for his appointment was granted, and in due compliance with the Human Resources policies of PFS, it is not possible for the Chairperson to implement the decision of the Board.

m. In the aforesaid circumstances, without in any manner questioning his competence, the question of the presumed loss o[redacted]services, would not arise. PFS would be able to restart the process of appointing its Director (Finance) once it is allowed to hold board meetings.

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n. The PFS management has acted in good faith and on legal advice in this entire matter. An independent audit of the appointment process found the same to be flawed and void (KPMG Report). In the circumstances detailed above, [redacted]appointment as Director could not be completed. Thus, no fault can lie with the management of PFS.

Exhibit Ex-AG: SEBI Email dated 2nd February 2022- SEBI desired further documents w.r.t NSL opinion and opinion in the matter of Mr. Ratnesh

[redacted]
Sent: 02 February 2022 16:08
[redacted]
Subject: Re: Conduct of Board meeting dated January 22, 2022 by PTC India Financial Services Ltd. (the Company)- Part-1

Sir,

With regard to the folder shared in the trailing mail, following is sought from you:
1. Relevant documentation enclosed with letter dated November 05, 2021 from Mr. Ambar Qamaruddin to Mr. Chetan Sharma, ASG seeking legal opinion on appointment of Mr. Ratnesh.
2. Background note of legal opinion dated May 12, 2021 from Mr. K G Balakrishnan in the matter of NSL, along with relevant documentation enclosed in the background note.

Please provide the same latest by tomorrow.

Regards,
[redacted]
SEBI

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Exhibit Ex-AH: PFS submitted documents on 3rd February 2022

From:	[redacted]
Sent:	03 February 2022 21:04
To:	[redacted]
Cc:	[redacted]
Subject:	RE: Conduct of Board meeting dated January 22, 2022 by PTC India Financial Services Ltd. (the Company)- Part-1
Attachments:	List of Documents for Point No. 1 Mr. Ratnesh.zip

Sir,

In reference to your trailing e-mail, please find attached the documents.

Due to large size sending the documents in two e-mails.

Best Regards,
[redacted] Asst. Company Secretary| PTC India Financial Services Limited
7th Floor, Telephone Exchange Building, 8 Bhikaji Cama Place, New Delhi 110066 (India)

Exhibit Ex-AI: PFS Submitted Action Taken Report- 8th February 2022

From: [redacted]
Sent: 08 February 2022 23:37
To: Adwait Abhay Dahale
Cc: [redacted]
Subject: [redacted] (the 'company') and conduct of Board Meeting on January 22, 2022 at 1:30 pm
Attachments: 08022022- ATR for filing.docx

Sir,

In reference to the trailing e-mail, please find attached the Action Taken Report.

Best Regards,
[redacted]st. Company Secretary | PTC India Financial Services Limited

Issues raised by Independent Directors	Summary of the Response	Action Taken
Issues concerning the appointment [redacted] Whole-time Director (Para 5(i) (and sub-paras thereof) of the Resignation Letters)	• [redacted] recommended to be appointed as a Wholetime Director of PFS, pursuant to a recruitment process conducted by the Human Resources Department of PTC India Limited. The process has been held to be invalid by a Report dated submitted by KPMG after audit of the process. • While the Board had approved the appointment of [redacted] the appointment itself was not completed as he failed to comply the preconditions of his joining. • Despite the appointment being on an absorption basis subject to submission of an unconditional release from his previous employer, [redacted] sought to retain lien over his post in [redacted] Ltd. and submitted a provisional release. This was contrary to the Guidelines issued by the Department of Public Enterprises Government of India. • Despite seeking multiple extensions, [redacted] failed to submit unconditional release, vigilance clearance and execute necessary documentation for appointment as a	**Re: Joining of [redacted]** As already informed to SEBI by way of the Response, on account of non-completion of the statutory requirements for appointment as a Director by Mr. Ratnesh, followed by his decision to rejoin [redacted] 06.12.2021. **Re: Provision of information/documents concerning the appointment of [redacted] the Resigning IDs** Documents/information as and when available with PFS at the relevant time, were shared with the Resigning IDs on 04.01.2022 and 15.01.2022. However, the Resigning IDs having already resigned from PFS on 19.01.2022. **Re: Appointment of new Wholetime Director** Upon SEBI granting necessary exemptions for holding a Board Meeting, PFS shall take necessary steps to reconstitute its Nomination and Remuneration Committee ("NRC"). Upon its reconstitution, the NRC shall take appropriate steps for identification and appointment of Wholetime Directors. Since the earlier process (which resulted in the recommendation of Mr. Ratnesh for appointment) has been castigated by a

PTC India Financial Services Ltd. (CIN: L65999DL2006PLC153373)
(A subsidiary of PTC India Limited)

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Issues raised by Independent Directors	Summary of the Response	Action Taken
	Thus, all documents and information (as available with PFS) in this regard was duly shared with the Independent Directors.	This is contingent on SEBI granting exemption for conduct of Board Meeting, hence pending completion.

Exhibit Ex-AJ: SEBI emailed and asked to provide the requisite documents.

From: [redacted]
Sent: 16 February 2022 18:01
To: [redacted]
Cc: [redacted]
Subject: RE: Conduct of Board meeting dated January 22, 2022 by PTC India Financial Services Ltd. (the Company)- Part-1

Sir,

With regard to the trailing mail, you are advised to provide the following documents:

1. Copy of advertisement pertaining to vacancy of Director (Finance) and Director (Operations) in PFS.
2. Report of committee of IDs on the issue of KSL, that was discussed in Board Meeting dated May 17, 2021.
3. Fraud Monitoring Policy, 2018 of PFS

You are advised to provide the above, latest by February 18, 2022.

Regards,
[redacted]
Compliance and Monitoring Division – II
Corporation Finance Department (CFD)
Securities and Exchange Board of India
SEBI Bhavan, Mumbai
Phone:+91 22 2644 9673

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Securities and Exchange Board of India

MUMBAI

Exhibit Ex-AK: PFS emailed to SEBI and request to consider the application

From: [redacted]
Sent: 24 February 2022 19:45
To: [redacted]
Cc: [redacted]
Subject: RE: Conduct of Board meeting dated January 22, 2022 by PTC India Financial Services Ltd. (the Company)- Part-1
Attachments: Reminder Letter to SEBI.doc

Sir,

In reference to trailing e-mail, please find attached the letter.

Thanks
[redacted]

Exhibit Ex-AL: SEBI Email 2nd March 2022- Reply of mail requested dated 22 January 2022

From: [redacted]
Sent: 02 March 2022 15:47
To: [redacted]
Cc: [redacted]
Subject: RE: Conduct of Board meeting dated January 22, 2022 by PTC India Financial Services Ltd. (the Company)- Part-1

Sir/Madam,

This has reference to the request dated January 22, 2022 and reminder letter dated February 24, 2022 submitted by you, seeking exemption from Reg. 17(2A) of SEBI (LODR) Regulations, 2015 which mandates that the quorum of every Board meeting should have at least one Independent Director. We are also in receipt of ATR dated February 08, 2022 from PFS, on the issues highlighted by IDs and ex-Chairman.

You may note that resignation of all IDs is an extraordinary circumstance which highlighted that the affairs of the company were not managed appropriately. However, ATR dated February 08, 2022 fails to satisfactorily address the concerns pertaining to corporate governance and reiterates the stand of the management without providing any new information in the matter.

Considering the severity of the issues highlighted by IDs and ex-Chairman, your request for conducting Board meeting without an ID is not acceded to.

The above is being issued with the approval of competent authority.

Regards,
[redacted]
Compliance and Monitoring Division – II
Corporation Finance Department (CFD)
Securities and Exchange Board of India
SEBI Bhavan, Mumbai
Phone: +91-22-2644 9673

Exhibit Ex-AM: ASG Opinion dated 8th November 2021

[redacted]

Additional Solicitor General of India

8th November 2021

To

[redacted]

MD & CEO

PTC India Financial Services Limited

New Delhi

Subject: Legal opinion with regard to the joining of Mr. Ratnesh for the Post of Director (Finance) in PTC Financial Services Limited

Sir,

In the referenced subject matter mentioned above, I have been made over record and documents relating to the aspect of joining of Mr. Ratnesh as also oral discussions with the briefing counsel Mr. Ambar Qamaruddin, Advocate on Record, Supreme Court of India .

1. PTC India Financial Services Limited ("PTC Financial") is a subsidiary of PTC India Limited ("PTC").
   1.1. PTC holds approximately [illegible] shareholding in PTC Financial.
   1.2 Chairman and MD of PTC is the Non-Executive Chairman of the Board of Directors of PTC Financial.
2. The composition of the board of directors as follows

S. No.	Category	Name	Employee of
1.	Executive	DR. PAWAN SINGH	PTC Financial
2.	Nominee Director	1. [redacted] 2. [redacted]	Executive Director & Group CRO, PTC India Ltd She is also Nominee Director of NTPC Limited on the Board PTC India Limited
3	Independent Director	1. [redacted] 2. [redacted] 3. [redacted] 4. [redacted]	

3 In addition to the above Directors, the Board of PTC Financial has authorised and sanctioned positions of 2 additional executive whole time Directors. These positions are of Director (Finance) and 'Operations'. The positions were lying vacant since September 2018 and July 2021 respectively.

4 The Board of Directors of PTC Financial in its meeting dated 28.08.2021 resolved to fill up the 2 positions of whole time director as Director of Finance and Director of Operations.

5 These are compliances set out as per internal guidelines with respect to a Director joining PTC Financial Services Ltd. the same are mentioned in HR Manual

6 SEBI guidelines/notification with regard to appointment of new directors is as follows:

6.1 The following events/information shall be disclosed by the listed entity without any application of guidelines of materiality as soon as reasonably possible but not later than twenty four hours from occurrence of event or information

6.1.1 (23) Change in directors, key managerial personnel (Managing Director, Chief Executive Officer, Chief Financial Officer, Company Secretary etc.), Auditor and Compliance Officer of the Sponsor.

7 It is thus evident that SEBI has yet to be informed as regards to new appointment.

8 As per internal compliances, recruitment rules (HR Policy Manual of PTC) and policies framed within PTC Financial, the company needs to be furnished the following documents. I am told that the quoted company does possibly insist on [illegible] of all the compliances/verifications even in case of lateral hiring/[illegible]. If that be the case, the record as available does not seem to suggest full and complete compliance thereof. Some of the documents that need to be submitted with hiring organisation at the time of formal joining in PTC Financial are noted hereinbelow.

S.NO.	Reference
1.	Offer Letter issued by the Company- Accepted copy
2.	Prior Medical Check up
	Letter from Hospital about Fitness
	Report(s)
3.	Appointment Letter issued by the Company – Accepted copy
4.	Self Attested Copies of qualification certificate(s) as mentioned in mentioned in CV
5.	Experience Certificate(s) as mentioned in CV
6.	Copy of resignation submitted to last organisation, Release/ Experience Letter and terms of release with [illegible], etc. issued by the last organisation
7	Vigilance Clearance Report in case issued by employer (for Central/State Govt. /PSU/Autonomous/Govt. bodies) or background checks to be conducted by the Company

8.	Copy of Passport/Identity Certificate / Character Certificate from previous Org.
9	Self-attested Copy of Pan Card
10.	A copy of Cancelled Cheque for opening salary account
11.	Joining Application from Candidate
12.	Photographs (4 Nos.) of Candidate and One Photograph of each of the Medical Dependents

Opinion/observations

On the basis of the record and documents as made available, it prima facie appears that the joining process [redacted] Director Finance remains incomplete & non-compliant, as of now. The aforesaid opinion is based on documents on record made available as also discussions and conferences with the briefing counsel. The opinion is confined to limited query as posted & sought for. All just exceptions reserved.

CHETAN SHARMA

Exhibit Ex-AN: [redacted] Opinion dated January 2022

Conclusion and Findings of the Process Assessment

There were significant gaps in the hiring and selection process of the Director – Finance and Director – Operations right from the posting of job application till the final selection (point number 1 till 21). PTC Financial Services should in light of the gaps across the hiring and selection process, re-initiate the hiring and selection process and give due consideration to the requirements of the organization and expectations from critical senior managerial positions. The Nomination and Remuneration Committee needs to ensure that a fair, open & transparent process can be conducted for the Hiring of the Director-Finance and Director-Operations positions considering the criticality of these positions. The NRC needs to ensure that:

a) Applications are allowed from the Open Market to ensure that there are relevant profiles for the positions
b) The position must also be shared with Recruitment Consultants and third parties to ensure that the 'passive' talent pool can also be tapped into
c) The position must be opened for at least 30 days to 45 days to ensure that suitable candidates can apply for the position
d) Due relaxations are given to internal candidates to promote a culture of performance driven progression
e) A baseline number of applications are received per position to ensure diversity
f) There is a due skill matrix created to ensure that the company can identify the technical and behavioral competencies and skills required from the candidates
g) The hiring, assessment and selection happens in an independent manner with no conflicts of interest, for this the Board and the NRC need to conduct a committee of experts with the desired skill sets to evaluate the candidates in uniformity
h) Maintaining Arm's Length between PTC Indian Limited and the Company to ensure that the hiring process is devoid of any influence
i) Scoring checklists and evaluation parameters need to be defined concretely, to ensure that the same yardstick is used for both Private Sector and Government or PSU Employees
j) Hiring through consensus and sign-off from the immediate Reporting Manager on the incumbent to be hired
k) Proper process is followed including and not limited to – on time collection of documents, detailed job description creation, no intermediate changes to requirements and qualification criteria post sign off on hiring guidelines

Note: The gap analysis mentioned for the process assessment, has been arrived at after referring to the internal HR policies, Board approvals and inputs

Page

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Exhibit Ex-AO – Extract of 138th Board Meeting dated 28th August 2021

MD &CEO stated that department of public enterprises guidelines does not allow deputation to private sector companies, therefore, PFS while being the recipient organization, should not allow the deputation. He also stated that considering both the positions are Director level positions, which also involve financial implications / increase in team costs, therefore, it should be considered that the candidates are appointed on absorption basis only. Though it applies strictly to seconding organizations but it may not be appropriate for PFS to overlook any procedure in this regard. He also pointed that in this regard, he has made some points in the board meeting and given suggestions to N&R committee earlier.

Chairman stated that the process, duly allowing for deputation / lien, has already been completed. However, the points highlighted by MD & CEO shall be kept in view and given consideration while finalizing the terms and conditions of appointment of the candidates. He further stated that as the benefits/perquisites are different in PTC group from existing organisations of the both candidates, therefore, deputation as required, may be allowed for a specific period. This as per the invitation for application related documents as finalized by the N&R Committee.

Exhibit Ex-AP: Extract of discussion with [redacted] in PTC RMC Meeting

ANNEX-11

CONFIDENTIAL

PTC India Limited

New Delhi

Minutes of the 15th meeting of the Risk Management Committee held on Thursday, the 24th March, 2022 at 1130 hrs. (IST) at PTC office, 2nd Floor, NBCC Towers, 15, Bhikaji Cama Place, New Delhi ~~-110066 through VC and concluded at 1510 hrs.~~

Present: -

[redacted]ctor & Chairman of Committee *

[redacted]ector *

[redacted]ector*

[redacted]rector*

By invitation: -

[redacted]M (Finance), NTPC* - during interaction with [redacted]

[redacted]Company Secretary* – during the period as mentioned herein below.

*Attended through video conferencing

~~Company Secretary confirmed that the quorum~~ was present.

At the commencement of the meeting, a roll call was taken with members of the Committee who were ~~attending the meeting through Video Conference (VC)~~ from their respective homes / offices. Mrs. Parminder Chopra joined at 11:45hrs and a roll call taken with her at that time.

[redacted]Finance), [redacted]ned the meeting through VC

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Chairman welcomed the Members and other participants of the meeting.

The Company Secretary recused himself from the meeting at this stage.

Chairman, RMC welcomed [redacted] the interaction and informed him that the entire proceedings were being recorded.

Chairman RMC stated that he would like to seek certain clarifications from [redacted] in relation to process of his appointment and joining etc. for the post of D(F) & CFO of PFS. The conversation held is briefly as under: -

1. Chairman RMC stated that [redacted] applied to PFS for the post of Director (Finance) & CFO. When he made this application, he was General Manger (Finance) in [redacted] a Central public Sector Undertaking. It was prescribed in the notice inviting application that applicants serving in Government/PSU should apply through proper channel or submit "NO Objection Certificate" from her/ his employer (Govt/PSU) at the time of interview, or latest at the time of appointment." It further prescribed that "Interested candidates may forward their application in the duly filled in format which is given below and send to the following address with heading on a sealed envelope "Application for the post of Director (Finance) & CFO". The last date of application was 6th August 2021. There was no email address anywhere indicated in the notice or format of application. Chairman, RMC asked him how did he submit his application and when.

2. [redacted] RMC for interaction and told that he is attending the meeting from his residence. He stated that today it is not difficult to get email address. He submitted his application in hard copy as well as through email to ED(HR). It was submitted on the last date prescribed for receipt of application. Chairman, RMC informed him that in accordance with the information available to him from PTCHR, his application in hard copy was not received and email was received at 2112hrs after close of office hours. Mr. Ratnesh responded that he had submitted hard copy and application can be submitted any time as now a days the office time has lost relevance.

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3. Chairman, RMC asked him whether he has submitted his application through proper channel or NOC. [redacted] that in his company both options are available. He could apply through proper channel or sometimes apply directly and apply for NOC. Chairman asked him which option he had adopted in this [redacted] responded that Chairman, RMC was asking inquisitive questions on application submission, which was not relevant to his joining. Mrs. Preeti Saran, Director remarked that Mr. Ratnesh was a victim in this entire saga, hence such an inquisition was avoidable and due courtesies should be shown to [redacted] tone and tenor. Chairman RMC responded that he wanted to be excused for asking direct questions as he wants to know the truth for entire process vis a vis information made available by management to check the veracity of information available and to identify whether there are gaps. Chairman, RMC expressed that he would like to ask questions on all related matter to appreciate it in an unbiased manner.

4. Chairman, RMC asked [redacted] whether he submitted his application through proper channel or opted for NOC. Mr. Ratnesh responded that he submitted his application directly and subsequently asked for NOC. He confirmed and stated that NOC was given to him by NTPC.

5. Chairman, RMC asked when did he submit NOC to ED (HR) PTC. [redacted] is an irrelevant question. One must see the turn of events. In response to letter of Chairman, PFS to Chairman, NTPC, he was called for interview, he got appointment letter and went to meet MD PFS two or three times for courtesy sake. When he received appointment letter from Chairman, PFS he went to report to Chairman, PFS and handed over documents to ED(HR). Thereafter the turn of events was unsavory. When he was escorted by Chairman, PFS to MD, PFS office, MD PFS had told that his joining could not be taken at that time. There was a lot of ruckus. He was asked to sit outside with ED(HR) and when documents were offered to PFS or their CS, whom he did not know, they refused to take it. In the evening, he was told to join after five or six days.

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6. Chairman, RMC requested him to tell when he did submit NOC. [redacted]nded that Chairman was asking leading and loaded questions and he should be excused from answering them. Chairman stated that it is up to him to answer or say it has no relevance. Since NOC has not been found in the records made available to committee, Chairman, RMC wants to know from Mr. Ratnesh. Mr. Ratnesh responded that in that case it should be answered by PTC or PFS HR. Chairman, RMC agreed that he would go by the documents and records as certified by PTCHR.

7. Chairman, RMC stated that [redacted]s issued appointment letter on 7th September 2021 which he accepted unconditionally on 9th September 2021. There was an amendment issued on 16th September 2021 enhancing his basic salary and other emoluments and other benefits. Chairman, RMC wanted to know whether he had written any letter or email to PTCHR seeking this enhancement. [redacted]onded that the issue was under discussions with them with reference to his salary in NTPC, he was getting much higher salary in NTPC. Not everything is in writing. It happens in every sector all the time that people negotiate for salary. Chairman, RMC stated that Mr. Ratnesh had accepted the appointment letter and salary as offered in 7th September 2021 appointment letter and this enhancement was done after acceptance of offer by him. In one of records, it is mentioned that Mr. Ratnesh had sought enhancements in salary but he was ready to come on salary originally offered in appointment letter and accepted by him. [redacted]sponded that it was not a relevant question. He was not allowed to join. He had resigned from his company position and came to PFS. He was treated badly; he was given appointment letter but not allowed to join.

8. Chairman, RMC aske[redacted]to inform when he came for joining what were the documents which he was carrying with him. He replied that he gave them to ED HR. Mr. [redacted]questioned Chairman, RMC why he does not believe his HR person. Chairman, RMC said that PTCHR has said that they did not have his relieving letter on the date of his reporting for joining. They received it first time on 17th November, when Mr. Ratnesh sent it to them through email. Chairman, RMC referred to Para 16 of the appointment letter dated 7th September 2021 issued to him, which states that at the time of joining PFS he shall submit a Release Order from the last organization which he was working

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with. He will also submit self-attested copies of his qualification and experience certificate. Mr. Ratnesh responded that he understands the Chairman, RMC was a senior officer in PSU, whether any resignation letter is accepted without issue of relieving letter. Chairman, RMC responded that Mr. Ratnesh may be having relieving letter, he wants to know whether Mr. Ratnesh submitted it to PTCHR. Chairman, RMC remarked that Mr. Ratnesh has earlier said that all the documents as available with him on 29th October 2021, he had given to PTC, which some person of PFS refused to take, so those documents must have been physically available with PTC. Whether relieving letter was part of those documents given by him[redacted]he had given all relevant documents as available with him on the date of joining and who has further given it to whom, how can he know. He could not be held responsible if they were not available. Mr. Ratnesh stated that PTC HR asked for relieving letter on 17th November 2021, which he again provided to them. Just because a document was asked for again on 17th November did not mean it was given for the first time on that date. Chairman, RMC concluded it means the relieving letter was handed over by him first time earlier and again it was made available on 17th November 2021. Mr. Ratnesh replied if a person reached to the position of Chief General Manger, it is not possible that he will not have a proprietary document with him. Chairman, RMC requested him to clarify whether he had handed over his relieving letter to PTC HR on 29th October 2021. He confirmed and stated that on 17th and 18th November, he again provided the relieving letter and educational certificates. Chairman, RMC observed that once he had already given documents physically to PTC HR, he could have mentioned it while sending his email on 17th November and 18th November.

9. Chairman, RMC mentioned that Mr. Ratnesh had asked two weeks' time on 8th November 2021 to complete his joining formalities, it means he was aware of various joining formalities, which will take two weeks' time. Chairman, RMC wanted to know why did he need two weeks' time to complete joining formalities. Mr. Ratnesh first said that he would not like to reply and then stated that Chairman, RMC appears to have not seen all the correspondence made by him and that's why he was talking like this. Chairman, RMC requested Mr. Ratnesh to provide all the correspondence and documents to RMC.

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10. Chairman, RMC stated that Mr. Ratnesh has stated that he joined PFS on 29th October 2021 and on 8th November a notice was sent to him to attend Board meeting of 9th November 2021. Why did he ask leave of absence for 9th November? Mr. Ratnesh countered to Chairman, RMC to explain it to him why was not issued notice on 6th November 2021 for Board meeting of 8th November 2021. Mr. Ratnesh said it was deliberately not sent to him. Why 8th November meeting had to be postponed and declared invalid. He said that he wants its answer from Chairman, RMC. Chairman, RMC responded this question can be replied by company and he is not supposed to answer this question. [redacted] that he received a phone call from MD of company telling him to take leave of absence for 9th November 2021.

11. Chairman, RMC stated [redacted] is a finance person. Finance persons are well equipped with basic laws of company Act. In accordance with section 152 sub section 5 of Company act, he was to submit DIR-2 Form within 30 days of appointment conveying his consent to be Director on the Board of PFS. Chairman RMC asked him did he submit DIR-2 form and if so, when and to whom. [redacted], "I refuse to answer this question and any further question" and quipped that Chairman, RMC was biased and not a fair person and that he was asking questions extraneous to the main issue.

12. Chairman, RMC asked him while joining back to NTPC, did he resign from PFS. If yes, he requested him to furnish a copy of his resignation letter. [redacted] stated that this question was completely infructuous, biased and unfair. Chairman, RMC quipped how asking factual information can be unfair or biased. Mr. Ratnesh repeatedly asked Chairman, RMC to take a stand whether [redacted] joined PFS or not. Chairman RMC replied that he would not take any stand at that moment. He will take stand after all documents and facts are seen, analyzed and on completion of enquiry. It is for Mr. Ratnesh to take a stand whether he joined PFS or not. [redacted] stated that when the company did not allow him to join, where was the question of resignation. Chairman, RMC asked him in case he did not join the company, how can he call himself a Board member entitled for Board meeting notices.

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13. Chairman, RMC sought his opinion on whether absorption and lien are same thing. Mr. [redacted] how that was relevant. The application notice allowed him lien and deputation. So, he came on lien. Chairman, RMC drew his attention to appointment letter which was on absorption basis, which he had accepted and after issuance and acceptance of appointment letter, provision of lien available in the application notice got superseded. At this stage, Mrs. Preeti Saran, Director stated, "I do not think that he should be answering that question".

14. [redacted] stated that we had spent an hour so far on questions which did not address the main issues of concern, as brought out in the resignation letters of the [redacted] badly and this was no way to treat a person who was given an appointment letter after a duly run Board process, who joined the company at such a senior position but was not facilitated with the joining formalities and not allowed to function. Three independent Directors of PFS and one Independent Director of PTC resigned over this incident. This was unprecedented in recent corporate history. It had impacted adversely upon the company's reputation and upon the reputation of the entire PTC group. She asked Mr. Ratnesh to clarify once again, whether indeed Dr. Pawan Singh had called and asked him to seek leave of absence on 9th November 2021 as earlier mentioned by Mr. Ratnesh. Mr. Ratnesh responded in affirmative. She asked him to present his version of the entire event.

15. [redacted] informed that there was a letter from PFS Chairman to Chairman, [redacted] about the vacancy of Director (Finance) & CFO. He further added that in past several senior officers from NTPC joined PTC on deputation who were later absorbed and from his personal knowledge he can say that even Directors came on deputation, which may be wrong also. NRC invited him for interview and if there was any deficiency in shortlisting of candidates, it was not his fault. He distinctly recalled two dates when he personally went to meet the MD PFS -in September and 19 October, as it was MD PFS's birthday. In neither meeting did the MD mention that he had any problems with Mr. Ratnesh's appointment. He did however suggest to him to join later. He complied to the advice of MD and joined after 10 days. He went to his office on 2 or 3 occasions but he has no document to prove all this. MD had told him that MD had nothing against him

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perse and asked him to join after 6th November and told him that in case he joined after 6th November he will be deemed to MD's man otherwise; he will be deemed to be on the other side. When he went to join on 29th October 2021, he was not allowed to join and was told to come after 5-6 days. In the meantime, there was Diwali and as such he also thought to join after Diwali and further that he was his MD, so he had to give him due regard. [redacted] that he observed that certain mails were transacted between company and IDs and IDs objected why notice for 8th November 2021 meeting was not sent to Mr. Ratnesh. On 8th November early morning, he sent a mail to MD and Chairman for their advice to formally join and for allocation of duty, etc. There was no response so he went to office in the afternoon. During discussions with MD and Chairman, he was informed that certain other administrative formalities were required to be completed and they advised him to send a mail asking two weeks' time so that their Board meeting of 8th November could be conducted peacefully. Mr. Ratnesh further added that he told them that he would complete all formalities in one week but they told one week time was less, he should write two weeks. Mr. Ratnesh said that he assumed it to be prudent to agree to them and there was no particular reason for it. On 17th November 2021, he received a phone call from Manager (HR), PTC asking copy of his relieving order. He thought that PTC was starting the completion of joining formalities and sent his relieving letter. Next day without any request from them and since he had heard nothing from them, he again sent his educational certificates also hoping to elicit a response. Then he received a mail stating that he had submitted a provisional release letter and as such his joining formalities were not complete and his joining was kept on hold. When he clarified that relieving letters are always issued provisionally, he was informed that his joining has been kept in abeyance and no further correspondence shall be entertained. He said that during these 15 days he had suffered enough humiliation, he asked committee members what he should have done and he had no option but to go back [redacted] he would have become unemployed. He went [redacted] but he could not meet him even after waiting for two hours. He met [redacted] ED who told him that he had no dues and advised him to meet Chairman.

Ratnesh

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16. Chairman, RMC [redacted] finding that injustice was being done with him, why did he not make any complaint in writing [redacted] that he went to meet Chairman, PFS. Chairman, RMC stated he should have written to all Board members including independent Directors as the position of Director Finance is not a small position in a company and wondered why a person selected for such a position should compromise with his own interest and come under pressure, whereas in business like PFS one would regularly encounter several pressures from various corners and in case Board did not listen to him, he should have complained to Regulator.

17. [redacted] Director said that he was very sympathetic with [redacted] what Chairman, RMC has suggested it is speculation in hindsight what should have been done, we have to see what is reality. [redacted] Director asked [redacted] confirm, "There was nothing wrong with you or your application. MD did not raise anything. MD did not tell any defect in your application. [redacted] that he was not told any such thing. This was to be handled by HR of the Company. He further stated that it was surprising that defect in application could be raised after appointment letter has been given.

18. [redacted] Director asked [redacted] on this unfortunate event took place whether in his presence at any stage MD asked him to show the documents or he never asked. [redacted] replied that MD, PFS never [redacted]. Director asked whether MD ever seen the documents. Mr. Ratnesh replied that he did not know. [redacted] Director stated that the question of challenging the validity or correctness of documents on the part of MD did not arise as the appropriate person who has seen the documents was PTC HR person, it was he, who could have challenged the correctness or validity of documents and asked Mr. Ratnesh to confirm whether it was correct. [redacted] that he did not know how HR function was handled in PTC and PFS.

19. [redacted] Director stated, "MD was very agitated visually. He had somewhat threatening approach. Were you aware of any reason as per your understanding?" Mr. Ratnesh replied that he did not know the reason and also did not know whether there

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was any internal politics or any outside factor. MD had told him that many seniors were against his appointment but MD would handle that.

20. [redacted]Director aske[redacted]"Do you believe process conducted by them was irregular or inefficient" Mr. Ratnesh replied that [redacted] is retired by CAG was member of NRC. Nobody can make imputations against her. Mr. Gokhale, Director asked, "Do you feel that fair interaction was held during interview and were you satisfied." [redacted]replied he was satisfied as had gone for professional upgradation. NTPC is a little bit better than PFS.

21. [redacted]or stated [redacted]u asked for two weeks' time to complete formalities and taking leave of absence for 9[th] November were not at your initiative but at the behest of MD and Chairman." M[redacted]d that he was told by Acting CMD of PTC and MD PFS to ask for it so that Board meeting could be held easily. He had no reason of his own. They said let the meeting be held peacefully. It was one to one talk. He further added that if any proof is asked, he shall not be able to give.

At this stag[redacted]

At this time, the Company Secretary was asked to join the meeting. He was informed that the next meeting shall be held on 25.03.2022 at 0930 hrs.

The meeting ended with thanks to Chair.

[redacted]

Chairman, RMC

11-04-2022
New Delhi

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Exhibit Ex-AQ – Extract of 137th Board Meeting dated 5th August 2021

The Board noted the minutes of 42nd meeting of the N&R Committee. The Chairman requested [redacted]airman, N&R Committee to brief the Board about the discussions that took place in the previous meeting of the Committee, as the minutes of the same are not in agenda. [redacted]irman N&R Committee informed the Board that on the lines of previous decisions of the Board, the Committee has finalised the job description for two vacant positions at Whole-Time Director level in PFS (i.e. Director –Operations and Director –Finance) and entire process is being carried out in time bound manner. He further desired tha[redacted] brief the Board on the progress of the process so far, after the last meeting of the N&R Committee. [redacted]formed the Board that as decided by the Nomination & Remuneration Committee in its meeting held on 17th July, 2021, the applications for the post of the Director (Operations) and Director (Finance) & CFO has been invited from PTC and its promoters companies (including REC through its promoter PFC). The Board was further informed that the last date of receipt of the applications has been fixed for 06th August, 2021. He further informed that the N&R Committee had decided that the maximum age of the candidate for application for the positions is 58 years and the superannuation age as 62 years.

MD & CEO expressed that working of NBFCs is changing a quite bit the way it used to be earlier and now it is totally different including the compliances requirement. He further suggested that it is very important that whosoever is selected either as Director (O) or as Director (F), the candidate should have considerable NBFC background. He further stated that Nomination & Remuneration Committee may also look into these aspects and it may include people from more Banking and Finance companies.

The Chairman stated that views of MD & CEO are noted, views given earlier were also incorporated by the N&R Committee to the extent feasible and the process has already been the started. He further stated that the quality of people is more important and so is the person's experience. In the context, he also gave the example of Dr. Pawan Singh and his own case, wherein both were successfully holding the position of Director (Finance) of PFS in the past, without previous experience of the financial services / NBFC sector.

Annexures related to the Management Response on CNK Draft Report dated 24 October 2022 for Appointment of [redacted]

Sr. No.	Particulars	Annexures Reference
C1	Response of company for summary of observations from opinion of [redacted] dated 8th November 2021 with regard to the joining of [redacted] for the post of Director (Finance) (Page No 130 to Page No 134)	C1 (i) to C1 (ii)
D1	Response of company for observations of Ex-independent Directors w.r.t to Director Finance and CFO [redacted] per resignation letter dated 19th January 2022 (page no 135 to page no 146)	D1 (i) to D1 (v)
E1	Response of company for comments of 2 Independent Directors and members of the PTC RMC, [redacted] and [redacted] on the draft report of Risk Management Committee of PTC on governance issues arising out of resignation letters of independent directors (page no 147 to page no 160)	E1
F1	Response of company for PTC RMC Report dated 23rd May 2022 with respect to appointment of [redacted] and other matters (page no 147 to page no 176)	F1 (i) to F1 (iv)
G1	Response of company for CNK views and conclusion regarding appointment of [redacted] page no 178 to page no 193)	G1 (i) to G1 (xiv)
H	Sequence of event indicating the Role of [redacted] in recruitment process for Director in PFS (page no 194 to page no 199)	H
I	Chronology of meetings is submitted in respect of appointment of [redacted] (page no 200 to page no 204)	I

C1 – Annexures C1 (i) to C1 (ii)

Annexure	Reference	Management Responses
C1 (i)	VII C (i)	In this regard, it is submitted as under: • CNK's view that ASG's opinion seems to have been given only based on limited documents made available to the ASG and discussions with the briefing counsel is baseless, without evidence and mere conjecture. • ASG was provided with the requisite information and documentation as sought by ASG. • ASG is a responsible law officer of the Government of India and is aware of his role, responsibilities and obligations under the law. It is unbecoming to make such an allegation. He will never give an opinion based on incomplete facts. • **The PFS Board had clearly decided that the candidate at Director Level is to be appointed on absorption basis and not on lien and hence the implementation of Board decision cannot be construed as the lack of governance in not following instructions of the Board. The lack of corporate governance was in [redacted] giving false information to the Board about Ratnesh joining on absorption basis and Mr. Ratnesh concealing material information from the Company while joining. Both these gentlemen concealed or misinformed the Board of material facts. It would have been appropriate for CNK to have highlighted the misconduct of Sh Rajiv Malhotra [redacted] in its report.** • It may also be noted that the guidelines of the Department of Public Enterprises (DPE) prohibit maintaining a lien when leaving a PSU and joining a private company. • The entire process of recruitment of Whole-Time Directors in PFS was run and managed by PTC HR and PFS had no role to play till the joining formalities including statutory compliances of Whole-Time Directors were completed. • It is inappropriate to mention that "not intimating regulators in time, does not have been placed before the ASG for the purpose of framing his opinion" since it has no impact on the joining process / defects in documents. It may be emphasized that the Company

		submitted requisite information to regulators and exchanges as was required in accordance with the law. • PFS has obtained signed opinion of ASG, a responsible law officer of the Government and CNK should have made their observation based on ASG signed opinion. ASG gives his opinion after perusing the requisite documents as required for framing his opinion and it is inappropriate to say that "Hence the opinion needs to be considered in the light of the limited facts and documents provided" without providing the basis of such statement and the documents which were missing to be seen by ASG. • CNK's allegation that [redacted]was forced to return to NTPC are baseless and factually incorrect. CNK has completely ignored the fraudulent conduct of [redacted] in withholding his relieving letter from NTPC and concealing the information that he has retained lien [redacted]his was clearly in violation of PFS' Board's decision that Whole-Time Directors shall join on absorption basis as also confirmed by CNK in his report. • There was no consent received from Mr. Ratnesh including DIR 2 Form, accordingly, he never joined PFS Board and he was never a Director on Board of PFS. Hence, no intimation to Regulator/Exchange without fulfilling legal requirement could have been given.
C1 (ii)	VII C (ii)	In this regard, it is submitted as under: • The observation is factually incorrect. Th[redacted] report was requisitioned by PTC India Limited and NOT the Management of PFS. This is admitted by CNK in the same paragraph. • The comments made by CNK that the sequence of events for appointment of [redacted] does not seem to have been considered and there are no comments on the same in the report are not correct since [redacted] has analysed the present case of hiring of Director (Finance) and Director (Operations) which is evident from their report. In this recruitment process, [redacted] was appointed as Director (Finance) & CFO. • Since and PTC are PFS independent listed entities, PFS does not have access information regarding a report commissioned by PTC India

		Limited and therefore PFS cannot inform the board the same, unless PTC advises the Company to place it before the PFS' Board. • The comments of current Independent Director of PFS referred to by CNK have been given in his capacity of Independent Director of PTC India Limited to the RMC of PTC India Limited. • PTC's Board have appropriately considered the report of PTC's RMC and approved the RMC report. • CNK has ignored the concerns raised by [redacted] regard to appointment of Director (Finance) & CFO, which states as under: *"The process followed for the hiring of the Director – Finance and the Director – Operations was evaluated from the lenses of compliance, industry alignment of practices and from a governance perspective and was found to have multiple gaps across every stage of the hiring and selection process.* *Right from the identification of the need for the position to creating the job descriptions and the ideal candidate profile, there was no consideration given to the industry and the practices of some of the leading NBFCs. This was done in an environment where there have been large public scandals and lapses in governance.* *The hiring committee did not place due emphasis on assessing the current capability of the Board and finding candidates/profiles who complement the existing skill sets nor did the committee focus on identifying the right individuals to assess the incoming profiles.* *The applications were invited from the Group itself, despite 3 of the 4 group companies belonging to a power generation and transmission background. Despite emails from the CEO & MD for looking at individuals from the open market to bring in a fresh perspective, there were limitations on the diversity of the talent pool while in the past applications were posted in newspapers and solicited applications from the open market. This was followed by a short application window, no guidelines on the minimum number of candidates that need to apply to a position for the candidates to be evaluated and the position to be filled. Additionally, the entire process was carried out*

		in a hushed manner with unexplained and unwarranted secrecy and speed wherein no relaxations in age were given to internal candidates who came from a NBFC background. Considering that the entire process was driven by the Group CRO and applications were only accepted from the Group, the independence in the assessment of the candidates can not be guaranteed. Additionally, despite notices from the RBI on the absence of Arm's Length between the Group and the organization, no steps were taken to ensure diversity of candidatures and/or selection panel. *Additionally, the candidate who was selected in the Director – Finance post was from a non – NBFC background despite the job description explicitly mentioning 20+ years of experience in an NBFC as a fundamental requirement. There was no scoring of candidates, no formal documented evaluation, no psychometric evaluations and more importantly there were no one – one discussion(s) with the immediate hiring manager and with the Board of the candidates (besides the hiring committee). There was no consensus with the MD & CEO who also happens to be the role holder who is responsible for daily operational interactions and for deciding and working on the joint strategic directive for the organization, with the selected candidate. The importance of consensus in hiring a senior managerial position cannot be re-emphasized.* *Besides this there were irregularities in submitting documents on time from the candidates end, the issue of deputation for the hired incumbent and specific changes in the remuneration post the offer had been released once.* *Considering that the organization is listed, operates in a highly regulated environment and there are significant irregularities in the process. The organization should relook at the entire hiring process including the current hiring of the Director – Operations and the Director - Finance and re-evaluate the director selection process that is being followed in the organization. Additionally, the organization needs to look at introducing effective mechanisms to measure*

		and evaluate the performance of the Board and its Directors to ensure that the due process is followed, and appropriate feedback can be communicated to Directors and Board members in a systemic and scientific manner." • It must be noted that [redacted]eport was issued on 19th January 2022 and on the same day the Ex Independent Directors had resigned from PFS. • It may be mentioned that in the Board meeting of PFS held on 8th November 2021, which was Chaired by Mr. Rakesh Kacker, the then Independent Chairman, [redacted] had clarified that [redacted] was yet to submit certain documents including his relieving letter from NTPC, vigilance clearance etc as on that date. Thus, the joining formalities of [redacted] were incomplete and he had not joined PFS and [redacted] was not a Board Member, thus, not entitled to receive the notice of Board meetings or participate therein. • [redacted] the then Company Secretary informed the Board that no intimation regarding joining of [redacted] had been sent to stock exchanges. • KPMG report was with regard to the recruitment process and as such, the matters like issuance of notices for Board / Audit Committee meetings are irrelevant. • [redacted] did not complete his joining formalities and never became a Director of PFS, hence he was not eligible to be invited to PFS' Board meetings. CNK's observations are baseless, misplaced and misleading. [redacted] did not join PFS Board hence, notices of PFS' Board meetings could not have been issued to him as per law of the land.

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D1 – Annexures D1 (i) to D1 (v)

Annexure	Reference	Management Responses
D1(i)	**VII D**	In this regard, it is submitted as under: • The entire recruitment and joining process of [redacted] was handled by PTC HR. The MD&CEO had no role to play at any stage. • **MD&CEO, PFS was completely disempowered by the erstwhile Chairman / Board. MD&CEO had no powers to decide on the appointments, transfers, promotions and postings at the level of functional head and one level below. In other words, the MD&CEO could not even appoint a Manager in PFS and even RBI, the regulator of NBFCs had raised concerns.** • As communicated by [redacted], vide his email dated 20th October 2021, PTC HR was required to ensure completion of their joining formalities and then handover the process of their orientation is placed at the end. • The [redacted] did not complete his joining formalities on 29th October 2021 which stipulated submission of release order from his last organisation, self attested copies of qualification and experience certificates. The appointment letter also mentioned that if any declaration given by [redacted]t the time of his joining is found to be wrong or if found to be wilfully suppressed any material information, the appointment itself shall be deemd to be void. • **The minutes of the board meeting held on 13th September 2021 clearly indicate that hiring of candidates was to be on absorption basis only for Director level people and that PFS should not overlook any procedure in this regard. Therefore, [redacted] release on lien basis, and maintaining lien till 30 Sept 2023 is contradictory to aforementioned board's decision of hiring candidate on absorption basis. This document was submitted for the first time by M[redacted]n 17th November 2021, thus his joining in PTC was incomplete. His concealing this vital fact amounts to an act of fraud.** • [redacted] submitted joining report dated 29 October 2021. However, his Release order from NTPC was shared by him with PTC HR and not with PFS for the first time only on 17 November

		2021 through email and his copies of qualification certificates on 18 November 2021. As per offer of appointment dated 7 Sept 2021, he was required to provide the 'release order' and 'qualification certificates' at the time of joining. • The joining report was defective since the date of joining was mentioned as 29 September 2021. • [redacted] had retained lien on the post of Chief General Manager in NTPC for a period upto 30 September 2023. This fact was not disclosed by Mr. Ratnesh at the time of submission of his joining report. Also appointment letter was issued on absorption basis. • It may be mentioned that Nomination and Remuneration Committee of PFS, in its meeting held on 23rd December 2019, took the strange and unprecedented decision that all the HR matters of PFS shall be dealt with the approval of Director (HR), PTC, which included, matter related to appointments, transfers, postings, promotions etc. and internal communication to employee. PFS (HR) team was to assist Director (HR), PTC in all these matters. • Subsequently, in its meeting held on 27th January 2020, the NRC made certain amendments to above. However, MD&CEO continued to be completely disempowered by the erstwhile Chairman / Board. MD&CEO had no powers to decide on the appointments, transfers, promotions and postings at the level of functional head and one level below. In other words, the MD&CEO could not even appoint a Manager in PFS. • This abnormal arrangement diminished the arm's length relationship between the holding company and its subsidiary. • RBI raised concern on arm's length relationship of Company with its Parent Company i.e. PTC India Limited in its inspection report and mentioned that Arm's length relationship with its parent company, PTC India Limited, was not ensured w.r.t the management of human resources. • RBI also raised this as a Supervisory Concern during its inspection for the year ended 31st March 2020 and directed that the company shall ensure arm's length relationship with its parent

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		company, i.e. PTC India Limited, w.r.t the management of human resources. • The Inspection report and supervisory concerns were raised by RBI vide its letters dated 12th May 2021 and 4th June 2021 respectively. • The above inspection reports and directions of RBI were placed before the Board of PFS, which regrettably did not comply. • The concerns raised by RBI were also reviewed by the Ministry of Power (MoP) which directed PTC and PFS to comply with RBI's report and recommendations to the satisfaction of RBI. • MoP specifically directed reversing of decisions that impair proper Corporate Governance, maintenance of suitable arm's length distance between the two companies and immediately addressing the conflicts. • In blatant disregard to the supervisory concerns and inspection findings of RBI, and directives issued by MoP, the erstwhile and Board decided to entrust the entire process of appointment of Directors to HR of PTC India Limited. • The then Non-Executive Chairman issued the appointment letter to [redacted] on 7th September 2021 even before the PFS Board accepted and approved the recommendations of N&R Committee and Audit Committee and approved the appointment of [redacted] for the position of Director (Finance) & CFO by PFS Board. The same is evident from the minutes of Board meeting held on 13th September 2021. • It is pertinent to mention that the Board authorised the then Non-Executive Chairman to take all actions relating to appointment of Mr. Ratnesh and undue haste was exercised to ensure the joining of Mr. Ratnesh on 29th October 2021 without submission of required documents as stipulated in appointment letter signed by the then Chairman. • The joining process was led by the then Chairman and [redacted] HR PTC and it was closer to the last day of the then Chairman. • It may also be noted that the guidelines of the Department of Public Enterprises (DPE) prohibit maintaining a lien when leaving a PSU and joining a private company • Being a PSU employee, [redacted] was not

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		eligible to retain Lien while joining a private sector company. Thus, he retained a lien probably by misrepresentation to NTPC, a CPSU. • [redacted], HR Head PTC Informed the Board in its meeting held on 13th September 2021 that Sh. Ratnesh is joining on absorption basis. This was a factually incorrect statement. Board approved the appointment of WTDs based on this confirmation given to them. The letter of appointment was issued on absorption basis and it had no option of deputation/lien in any of its covenants. • It is pertinent to note that the erstwhile audit committee itself found that the experience of [redacted] questionable as evident from the minutes of meetings of Audit Committee and Board held on 13th September 2021. o The Audit Committee members in the audit committee Chaired by [redacted]ealised that [redacted] did not possess NBFC experience. However, rather than making their own independent assessment, audit committee relied on the views of N&R Committee. Instead, the audit committee members were of the view that [redacted] will be assisted by the team of experienced professionals in PFS who have good experience of NBFC sector and also have the guidance of MD&CEO to work as Director (Finance) & CFO. In effect, the Audit Committee recommended that Sh Ratnesh be trained in his job as a Director, drawing a compensation of over one crore plus perks, be trained and taught his job by the MD. • It is also to be noted that in accordance with the Master Directions issued by RBI, PFS is required to furnish to RBI, a certificate signed by the Managing Director confirming that fit and proper criteria in selection of the Directors has been followed. Therefore, the MD&CEO had a legal obligation to ensure that the selection of Mr. Ratnesh was fit and proper, notwithstanding that the entire process was managed by PTC HR. • Thus, it is clearly visible that CNK has presented its finding without taking cognisance of the complete set of documents and information made available to them and they have made baseless allegations against the PFS

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		management • The Company informed the stock exchanges that the Board of Directors in their meeting held on 13th September 2021 has approved the appointment of Sh. Ratnesh as Whole-Time Director (Finance) & CFO w.e.f. date of his joining and appointment of [redacted]s Director (Operations) w.e.f. date of his joining. • **CNK has correctly mentioned in sequence of events no. XVII that addendum to the appointment letter was issued on 16th September 2021 to [redacted] under the signature of Chairman, PFS. This addendum, however, was not signed by [redacted].** • **Thus, it is factually incorrect, misleading and contradictory to comment that Mr. Ratnesh had accepted of the offer.**
D1(ii)	**VII D**	• The comments of Ex Independent Directors on ASG's opinion are highly unethical andunprofessional. • The comments of Ex Independent Directors are baseless, without evidence and mere conjecture. • ASG was provided with the requisite information and documentation as sought by ASGas available with PFS. • ASG is a responsible law officer of the Government of India and is aware of his role, responsibilities and obligations under the law. It is unbecoming to make such an allegation. He will never give an opinion based on incomplete facts. • **The PFS Board had clearly decided that the candidate at Director Level is to be appointed on absorption basis and not on lien and hence the implementation of Board decision cannot be construed as the lack of governance in not following instructions of the Board. The lack of corporate governance was in [redacted] giving false information to the Board about Ratnesh joining on absorption basis and [redacted]ncealing material information from the Company while joining. Both these gentlemen concealed or misinformed the Board of material facts. It would have been appropriate for CNK to have highlighted themisconduct of Sh Rajiv Malhotra & Sh. Ratnesh in its report.**

		• The entire process of recruitment of Whole-Time Directors in PFS was run and managed by PTC HR and PFS had no role to play till the joining formalities including statutory compliances of Whole-Time Directors were completed. • PFS has obtained signed opinion of ASG, a responsible law officer of the Government and CNK should have made their observation based on ASG signed opinion. ASG gives his opinion after perusing the requisite documents as required for framing his opinion and it is inappropriate to say that "Hence the opinion needs to be considered in the light of the limited facts and documents provided" without providing the basis of such statement and the documents which were missing to be seen by ASG. • It may be mentioned that the meeting of Board of Directors of PFS held on 8th November 2021 was Chaired by [redacted], the then Independent Chairman and the minutes were also approved and signed by him. In the said meeting, the Ex Independent Directors objected to non-issuance of notice of the Board meeting to Mr. Ratnesh which was clarified by [redacted] Mr. [redacted] yet to submit certain documents including his relieving letter from NTPC, vigilance clearance etc as on that date. Thus, the joining formalities of Mr. Ratnesh were incomplete and he had not joined PFS and Mr. [redacted] not a Board Member. • In view of this factual statement of CMD PTC [redacted] was not entitled to receive the notice of Board meetings or participate therein. • [redacted] the then Company Secretary informed the Board that no intimation regarding joining of Mr. Ratnesh had been sent to stock exchanges. • ***Inspite of above assertions, the Ex Independent Directors forced the Company to invite [redacted] attend the Board meeting on 9th November 2021. The said action of Ex Independent Directors is clearly a violation of law.*** • It is clearly recorded in the minutes of Board meeting held on 8th November 2021 approved by [redacted] at M[redacted] stated that it would be better

		to invite [redacted]r the meeting and ask him if he does not want to attend, he can ask for leave of absence. • Mr. Ratnesh asked leave of absence from meeting held on 9th November 2021. • It is clearly recorded in the minutes of Board meeting held on 9th November 2021 that on request of Independent Directors, invite was sent to Mr Ratnesh. • Thus, Mr Ratnesh was invited only at the instance of Ex Independent Directors which was clearly a violation of law since [redacted]not eligible to receive the notice of Board meetings and participate therein as Director of PFS. • It is factually incorrect that repeated requests from Ex Independent Directors for information regarding his status were all met with silence. [redacted]he Non-Executive Chairman of PFS was in discussions with Ex Independent Directors. He had Informed PTC RMC also that since 9th November 2021, there were more than 50 calls with Independent Directors and two video informal meetings to explain them the various issues. This is mentioned in the PTC RMC report also. • It is to be noted that [redacted]Chairman PFS vide his email dated 14th December 2021 addressed to all Ex Independent Directors, conveyed that the directives of Ministry of Power advising both entities to ensure Corporate Governance as pointed out by RBI. In this connection, PTC and PFS should comply with RBI's report and recommendation to the satisfaction of RBI forthwith without any further delay. This includes reversal of decisions that impair proper Corporate Governance, maintenance of suitable arm's length distance between two companies and immediately addressing the conflicts. He informed that their points may first be considered through a discussion in the Board and a separate legal opinion may be taken to facilitate resolution of any ambiguity, if any. • [redacted]Chairman PFS vide his email dated 17th December 2021 addressed to all Ex Independent Directors, informed that PFS Board in last six months has met several times and deliberated the governance issues including RBI inspection report. However, in the board

		meeting held on 8th November 2021 it was emphasized by him that the issue needs to be addressed in all aspects which includes but not limited to regulatory, administrative and legal.
D1(iii)	VII D	• **MD&CEO, PFS was completely disempowered by the erstwhile Chairman / Board. MD&CEO had no powers to decide on the appointments, transfers, promotions and postings at the level of functional head and one level below. In other words, the MD&CEO could not even appoint a Manager in PFS and even RBI, the regulator of NBFCs had raised concerns.** • It may be mentioned that Nomination and Remuneration Committee of PFS, in its meeting held on 23rd December 2019, took the strange and unprecedented decision that all the HR matters of PFS shall be dealt with the approval of Director (HR), PTC, which included, matter related to appointments, transfers, postings, promotions etc. and internal communication to employee. PFS (HR) team was to assist Director (HR), PTC in all these matters. • Subsequently, in its meeting held on 27th January 2020, the NRC made certain amendments to above. However, MD&CEO continued to be completely disempowered by the erstwhile Chairman / Board. MD&CEO had no powers to decide on the appointments, transfers, promotions and postings at the level of functional head and one level below. In other words, the MD&CEO could not even appoint a Manager in PFS. • The joining process was led by the then Chairman and Sh. [redacted]TC and it was closer to the last day of the then Chairman. • [redacted]ubmitted joining report dated 29 October 2021. However, his Release order from NTPC was shared by him for the first time only on 17 November 2021 through email and his copies of qualification certificates on 18 November 2021. As per offer of appointment dated 7 Sept 2021, he was required to provide the 'release order' and 'qualification certificates' at the time of joining. • The joining report was defective since the date of joining was mentioned as 29 September 2021.

		• [redacted] retained lien on the post of Chief General Manager in NTPC for a period upto 30 September 2023. This fact was not disclosed by Mr. Ratnesh at the time of submission of his joining report. Also appointment letter was issued on absorption basis. • It may also be noted that the guidelines of the Department of Public Enterprises (DPE) prohibit maintaining a lien when leaving a PSU and joining a private company • Being a PSU employee, [redacted] was not eligible to retain Lien while joining a private sector company. Thus, he retained a lien probably by misrepresentation to NTPC, a CPSU. • The minutes of the board meeting held on 13th September 2021 clearly indicate that hiring of candidates was to be on absorption basis only for Director level people and that PFS should not overlook any procedure in this regard. Therefore, Mr. Ratnesh's release on lien basis and maintaining lien till 30 Sept 2023 is contradictory to aforementioned board's decision of hiring candidate on absorption basis. His concealing this vital fact amounts to an act of fraud. • [redacted] Head PTC informed the Board in its meeting held on 13th September 2021 that Sh. Ratnesh is joining on absorption basis. This was a **factually incorrect statement**. Board approved the appointment of WTDs based on this confirmation given to them. The letter of appointment was issued on absorption basis and it had no option of deputation/lien in any of its covenants. • [redacted] not submit Form DIR2 duly signed and accordingly, he never joined PFS.
D1(iv)	VII D	• **MD&CEO, PFS was completely disempowered by the erstwhile Chairman / Board. MD&CEO had no powers to decide on the appointments, transfers, promotions and postings at the level of functional head and one level below. In other words, the MD&CEO could not even appoint a Manager in PFS and even RBI, the regulator of NBFCs had raised concerns.** • As mentioned in sequence of events above by CNK, the Board of Directors in their meeting held on 12th November

		2018, noted the minutes of 32nd and 33rd NRC meeting and regarding the actions for filling up the position of Director (Finance) & CFO, the various aspects were discussed by the Board including identification of the suitable candidate for the post and its requirement and the Board decided that the Nomination & Remuneration Committee may issue the advertisement for the position of Executive Director level / EVP and in order to attract good candidates a clause be inserted in the advertisement that based on her/his performance there exists possibility of further elevation to board level position. • Thereafter, it was only in the board meeting held on 9th March 2021 that the Board agrredthat advertisements for the post of Director (Finance) & CFO and Director (Operations) be issued by 31st March 2021 since Director (Operations) will be superannuating in July 2021. The Board was also of the opinion that the same process may be followed for the selection as was done earlier incase of appointment of MD &CEO and the recruitment process would be handled by a resource person from PTC, as was in case of MD & CEO.Mr. Rajiv Malhotra was identified as the resource person for the said job from PTC. • Director (Operations) superannuated in July 2021. Till then there were two Whole-Time Directors in the Company.
D1(v)	**VII D**	• The above comments are baseless and factually incorrect. Moreover, there was no regulatory non-compliance. • It may be mentioned that the term o[redacted] as Independent Director on PFS Board ended on 14th October 2021. • The Company was required to induct a Woman Independent Director within 90 days of vacancy and accordingly, such induction was required to be done by 12th January 2022. There was no regulatory non-compliance as there was sufficient time to appoint Woman Independent Director on PFS Board. • However, it can be clearly verified from the emails sent by all the then Independent Directors of PFS, includin[redacted], through their emails dated 18th December 2021 addressed to Chairman PFS that the

		primary intention of the independent directors was to grant extension in the tenure of Sh. Rakesh Kacker. • The emails sent by all the then independent directors on 18th December 2021 addressed to Chairman PFS, interalia stated that "you have referred to compliance of SEBI LODR. While this is important **there are other matters that need the urgent attention of the NRC. The most important of these at present is the extension / reappointment of [redacted] as Independent Director for a period of three years as his present term ends on 31st December 2021. Your email is unfortunately silent on this issue."** • It is pertinent to mention that the policy of PFS for appointment of independent directors, as was existing on 18th December 2021, stipulated the maximum age of independent director at the time of appointment as 67 years and [redacted] already completed 68 years of age on the proposed date of his reappointment and thus, **was not eligible to be appointed in terms of policy of the Company.** • However, the resigning independent directors were forcing and coercing the Management to call a meeting of the NRC for appointing an ineligible independent director on the board of Company. • All this information was made available to CNK but CNK has chosen not to present the same in its report nor point out the impropriety and corporate mis-governance in Mr Kacker and the other ex-IDs directing the management to re-appoint him as ID despite being ineligible. • It is also pertinent to mention that NRC could not be reconstituted on 31st December 2021 since all the then independent directors had rejected the proposal to reconstitute the NRC on the grounds that resolution by circulation was not sent to [redacted] whereas Mr, Ratnesh was never a Director of PFS either de jure or de facto. • It is important to note that [redacted] the Non-Executive Chairman of PFS was in discussions with Ex Independent Directors. He had informed PTC RMC also that since 9th November 2021, there were more than 50 calls

		with Independent Directors and two video informal meetings to explain them the various issues. This is mentioned in the PTC RMC report also. • It is to be noted that [redacted]hairman PFS vide his email dated 14th December 2021 addressed to all Ex Independent Directors, conveyed that the directives of Ministry of Power advising both entities to ensure Corporate Governance as pointed out by RBI. In this connection, PTC and PFS should comply with RBI's report and recommendation to the satisfaction of RBI forthwith without any further delay. This includes reversal of decisions that impair proper Corporate Governance, maintenance of suitable arm's length distance between two companies and immediately addressing the conflicts. He informed that their points may first be considered through a discussion in the Board and a separate legal opinion may be taken to facilitate resolution of any ambiguity, if any. • [redacted]Chairman PFS vide his email dated 17th December 2021 addressed to all Ex Independent Directors, informed that PFS Board in last six months has met several times and deliberated the governance issues including RBI inspection report. However, in the board meeting held on 8th November 2021 it was emphasized by him that the issue needs to be addressed in all aspects which includes but not limited to regulatory, administrative and legal.

E1 and F1(i) – Annexures E1 and F1 (i)

Annexure	Reference	Management Response
E1 and F1 (i)	VII E and VII F	In this regard, it is submitted as under: • The allegations raised by CNK that the management did not want introduction of 'checks and balances' which would have come into play on appointment of a whole time Director (Finance) are baseless and without careful and detailed evaluation of the documents / information provided to them by PFS and not backed by any concrete evidence. • It is highly inappropriate to say that the management did not want introduction of 'checks and balances' which would have come into play on appointment of a whole time Director (Finance). • As mentioned in sequence of events above by CNK, the Board of Directors in their meeting held on 12th November 2018, noted the minutes of 32nd and 33rd NRC meetingand *"with respect to the actions for filling up the position of Director (Finance) & CFO, the various aspects were discussed by the Board including identification of the suitable candidate for the post and its requirement. After detailed discussions, the Board desired that the Nomination & Remuneration Committee may consider to issue the advertisement for the position of Executive Director level / EVP and in order to attract good candidates a clause be inserted in the advertisement that based on her/his performance there exists possibility of further elevation to board level position.* • The Board decided that in place of Director (Finance), the advertisement for the position of Executive Director level / EVP may be issued who can be later elevatedto board level position. Thus, Board decided not to appoint Director (Finance). • The PFS's stand is also backed by an opinion provided by ASG. • It is purely speculative and highly inappropriate and unprofessional to allege that the management did not want the appointment of WTD – Finance and did not want introduction of checks and balances.

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		• On the contrary, CNK's findings are without any detailed verification of the documents / information provided to them by PFS and evaluation of the facts. • **MD&CEO, PFS was completely disempowered by the erstwhile Chairman / Board. MD&CEO had no powers to decide on the appointments, transfers, promotions and postings at the level of functional head and one level below. In other words, the MD&CEO could not even appoint a Manager in PFS and even RBI, the regulator of NBFCs had raised concerns.** • It may be mentioned that Nomination and Remuneration Committee of PFS, in its meeting held on 23rd December 2019, took the strange and unprecedented decision thatall the HR matters of PFS shall be dealt with the approval of Director (HR), PTC, which included, matter related to appointments, transfers, postings, promotions etc. and internal communication to employee. PFS (HR) team was to assist Director (HR),PTC in all these matters. • Subsequently, in its meeting held on 27th January 2020, the NRC made certain amendments to above. However, MD&CEO continued to be completely disempowered by the erstwhile Chairman / Board. MD&CEO had no powers to decide on the appointments, transfers, promotions and postings at the level of functional headand one level below. In other words, the MD&CEO could not even appoint a Managerin PFS. • This abnormal arrangement diminished the arm's length relationship between the holding company and its subsidiary. • RBI raised concern on arm's length relationship of Company with its Parent Company i.e. PTC India Limited in its inspection report and mentioned that Arm's length relationship with its parent company, PTC India Limited, was not ensured w.r.t the management of human resources. • RBI also raised this as a Supervisory Concern during its inspection for the year ended31st March 2020 and directed that the company shall ensure arm's length relationship with its parent company, i.e. PTC India Limited, w.r.t the management of human resources.

		• The inspection report and supervisory concerns were raised by RBI vide its letters dated 12th May 2021 and 4th June 2021 respectively. • The above inspection reports and directions of RBI were placed before the Board of PFS, which regrettably Board did not comply inspite of being opined by MD&CEO that Company should comply with RBI's observations / concerns. • The concerns raised by RBI were also reviewed by the Ministry of Power (MoP) which directed PTC and PFS to comply with RBI's report and recommendations to the satisfaction of RBI. • MoP specifically directed reversing of decisions that impair proper Corporate Governance, maintenance of suitable arm's length distance between the two companies and immediately addressing the conflicts. • In blatant disregard to the supervisory concerns and inspection findings of RBI, and directives issued by MoP, the erstwhile and Board decided to entrust the entire processof appointment of Directors to HR of PTC India Limited. • From the above, it is clear that there was blatant disregard of regulatory directives and procedural compliances by HR PTC. • The then Non-Executive Chairman issued the appointment letter to [redacted] on 7th September 2021 even before the PFS Board accepted and approved the recommendations of N&R Committee and Audit Committee and approved the appointment of [redacted] for the position of Director (Finance) & CFO by PFS Board. The same is evident from the minutes of Board meeting held on 13th September2021. • It is pertinent to mention that the Board authorised the then Non-Executive Chairman to take all actions relating to appointment o[redacted]d undue haste and co- ercive tactics were exercised to ensure the joining [redacted] on 29th October 2021 without submission of required documents as stipulated in appointment letter signed by the then Chairman. • The joining process was led by the then Chairman and Sh. [redacted]R PTC and it was closer to the last day of the then Chairman.

		• [redacted]bmitted his joining report dated 29 October 2021. However, his Releaseorder from NTPC was shared for the first time by him only on 17 November 2021 through email and his copies of qualification certificates on 18 November 2021. As peroffer of appointment dated 7 Sept 2021, he was required to provide the 'release order' and 'qualification certificates' at the time of joining. • The joining report was defective since the date of joining was mentioned as 29 September 2021. • [redacted]retained lien on the post of Chief General Manager in NTPC for a period upto 30 September 2023. This fact was not disclosed by Mr. Ratnesh at the time of submission of his joining report. Also appointment letter was issued on absorption basis. • It may also be noted that the guidelines of the Department of Public Enterprises (DPE)prohibit maintaining a lien when leaving a PSU and joining a private company • Being a PSU employee, Mr Ratnesh was not eligible to retain Lien while joining a private sector company. Thus, he retained a lien probably by misrepresentation to NTPC, a CPSU. • The minutes of the board meeting held on 13th September 2021 clearly indicate that hiring of candidates was to be on absorption basis only for Director level people and that PFS could not have overlooked any procedure in this regard. Therefore, [redacted], release on lien basis and maintaining lien ,till 30 Sept 2023 is contradictory to aforementioned board's decision of hiring candidate on absorption basis. Hisconcealing this vital fact amounts to an act of fraud. • [redacted] **Head PTC informed the Board in its meeting held on 13thSeptember 2021 that Sh. Ratnesh is joining on absorption basis.** This was a **factually incorrect statement.** Board approved the appointment of WTDs based on this confirmation given to them. The letter of appointment was issued on absorption basis and it had no option of deputation/lien in any of its covenants. • It is pertinent to note that the erstwhile audit committee itself found that the experience of [redacted] is

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questionable as evident from the minutes of meetings of Audit Committee and Board held on 13th September 2021.

- The Audit Committee members in the audit committee Chaired by [redacted] realised that [redacted] did not possess NBFC experience. However, rather than making their own independent assessment, audit committee relied on the views of N&R Committee. Instead, the audit committee members were of theview that [redacted]will be assisted by the team of experienced professionals inPFS who have good experience of NBFC sector and also have the guidance of MD&CEO to work as Director (Finance) & CFO. In effect, the Audit Committee recommended that Sh Ratnesh be trained in his job as a Director, drawing a compensation of over one crore plus perks, be trained and taught his job by the MD.

- It is also to be noted that in accordance with the Master Directions issued by RBI, PFSis required to furnish to RBI, a certificate signed by the Managing Director confirmingthat fit and proper criteria in selection of the Directors has been followed. Therefore, the MD&CEO had a legal obligation to ensure that the selection [redacted]vas fitand proper, notwithstanding that the entire process was managed by PTC HR.
- Thus, it is clearly visible that CNK has presented its finding based on selective documents without giving any cognizance to the complete set of documents and information made available to them and they have made baseless allegations against the PFS management.
- The management of PFS had no powers or role in the appointment o[redacted]
- MD&CEO had, in fact, no role in the appointment and joining of M[redacted] PFS Board had authorized PTC HR to run entire recruitment proce[redacted] through email of 20th October, 2021 had informed NRC members that PTC HR will complete joining formalities. Thus, it is abundantly clear that PFS had no role to play till the joining formalities of M[redacted]were completed by PTC HR an[redacted]

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had joined as Director after compliance of all statutory as well as other joiningrequirements. It was not in PFS's control to obtain Vigilance Clearance, an unconditional Release Letter, or the regulatory compliance from Mr. Ratnesh. Absent these and given [redacted]ilure to execute necessary documents to furtherance ofthe decision of the Board to appoint him, there was nothing that PFS could have done to take steps to appoint him. Where the very appointment was incomplete, there was no question of facilitating his functioning. **PFS did not put the appointment of Mr. [redacted]n hold, as [redacted]himself did not complete the prerequisites for the joining.**

- It may be pertinent to mention the structure of the comparable private sector companies. None of them have a Director Finance:
  - [redacted]as only MD&CEO. All other Directors are Non- Executive / Independent / Nominee.
  - [redacted] has one CMD. All other Directors are Non-Executive / Independent
  - [redacted] has one CMD. All other Directors are Non-Executive / Independent
- **Thus, it is also to note that MD&CEO of PFS was not involved in the process of recruitment of Directors in PFS from inviting the application to screening of applicants and finally in the selection of the applicants and thereafter, in the Joining process.**
- It is emphasized that the PTC Board approved the PTC RMC report by majority and thus the report and its conclusion have been approved and the report is final. The minority view expressed by 2 independent directors does not supercede the Board's decision that has been approved by majority. This is a fundamental principle of law.
- **The comments of 2 Independent Directors and members of the PTC RMC, [redacted]d M[redacted] on the draft report of PTC RMC have been duly considered by the PTC Board, which thereafter approved the PTC RMC report. Hence, they are now no longer relevant as they**

have been addressed and responded to both by the Board and PTC RMC in Annexure 27 ofthe PTC RMC report.

- In the sequence of events no. IV, CNK has quoted the decision of PFS board in whichBoard had desired that NRC to consider the advertisement for the post of ED / EVP for appointment who can be elevated to Board level position based on their performance at a later date. Thus, it was the PFS Board which had decided not to appoint Director Finance in November 2018 itself. This was immediately after Dr Pawan Singh's appointment as MD&CEO on 3rd October 2018. It may be mentioned that the Director (Operations) position became vacant only in July 2021. Till then Company was functioning with Directors in accordance with the decision taken by Board in November 2018. It was only in March 2021, the Board decided to appoint Director Finance and Director Operations (who was going to superannuate in July 2021) and issue advertisement in this regard.
- From this it is clear that management had no role to play in this matter. As regards, thepoints raised in Section E the PTC RMC has already given the factual position againstthe each of the items covered therein as annex 27 to the PTC RMC report which adequately proves that the opinion contrary to the PTC RMC report is not tenable. Further, the PTC RMC report has been adopted by the Board of PTC which has not found these points as tenable. Some of the important points of Annex-27 are mentioned hereunder:
    - [redacted] the then Independent Director in his email dated 16th June 2021 to Chairman, PFS had interalia mentioned that "the position of Director (Finance) had fallen vacant in 2018 and Board had directed in its meeting held on 18th November 2018 to initiate action. Subsequently, at the request of the management, flexibility was accorded by Board to recruit at the level of ED/EVP if warranted with the Head of Operations to be elevated later to Boardposition, if found suitable." It means that flexibility was accorded by PFS Board to management, which envisaged to recruit at the level of ED/EVP to be later elevated to Director. This manner of succession planning was put in

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			place with the consent of Board. Thus, the particular issue that management had failed to take positive action to fill the critical vacancy of Director (Finance) is not relevant. Another important fact being, the PFS Board in 2020 divested MD&CEO from major Human Resource Powers and these were practically vested in PTC. This particular decision of PFS Board has been observed adversely by the Regulator, RBI in its inspection report. On 6th March 2021, the PFS Board had decided to call applications for D(F)&CFO through open advertisement and responsibility for the recruitment was assigned to PTC HR and Shri Rajiv Malhotra was indicated as resource person. No positive action was taken by the PTC persons made responsible therefor for three months and suddenly NRC decided in July 2021 to call applications only from PTC group and promoters of PTC and REC on a restricted process. It is noted that the responsibility for recruitment was not given to PFS HR or MD, PFS. The PFS Board entrusted the responsibility to PTC HR, to run recruitment process of twoWTDs of PFS and the principle of maintaining arm's length relationship between PFS and PTC, which was pointed out by RBI, was violated o Minutes of meeting of interaction with [redacted] part of Report, which were finalised after issuing draft minutes, providing morethan 7 days' time to members for comments. The comments received were considered and suitably incorporated. The finalised minutes were circulated to Members on 11th April 2022. o RMC did not find anyone challenging the decision of Board and there is no statement available where Chairman or MD had concluded that any particular decision of Board suffered from irregularity etc., or either of them have stated that the decision would not be adhered to. Board had approved

		appointment of WTDs on absorption basis whereas [redacted] relieving letter from his employer was on lien basis contrary to the approval accorded by Board of PFS. Management actually adhered to and acted in accordance with the approval of PFS Board. ○ RMC had ever interacted with the then Chairman of NRC, as contended in Section E. RMC interacted with only one member of NRC Mrs. Renu Narang, who was the then nominee Director of PTC on the Board of PFS. Other members of NRC had submitted his written brief, which has been annexed to RMC report. ○ The final decision to appoint two WTDS was taken in 139th Board meeting afterissue of appointment letters and acceptance thereof by the candidates. The recommendations of Audit Committee to appoint CFO were given on 13th September 2021. The information about appointment of WTDs was also furnished to the Stock exchange on 14th September, 2021 where the reference of BoD meeting dt 13th September, 2021 has only been made (139th BoD meeting). ○ It is seen from minutes of 139th Board meeting that after Chairman stated that the Board had given a unanimous decision in the selection of the candidates andfurther stated that, as suggested by the MD and CEO, both the candidates were joining on absorption basis, MD & CEO expressed his reservations on selection and suitability of candidates and at the end of minutes, the decision of Board was recorded leaving MD & CEO and it is recorded in the minutes of 139th Board meeting of PFS that "After discussions on the points raised by MD, the rest of Board accepted all the recommendations of the N&R committee and of the Audit Committee (for Sh. Ratnesh as Director Finance & CFO) as mentioned hereunder and **approved the appointment** [redacted] **Director (Finance) & CFO and** [redacted]

		Sinha as Director (Operations) of the Company, on the terms of the appointment as per the recommendations of the N&R Committee for a period of five years or the date of superannuation (which at present is 62 years), whichever occurs earlier w.e.f. their respective dates of joining:- ………,", which was clearly not a unanimous decision. Rest of the Board leaving MD & CEO had agreed with the decision for appointment. The reservations of MD& CEO are recorded in the minutes in the paras preceding the above decision. Thus, it was a majority decision. ○ [redacted] and [redacted] had made contradictory statements ○ In the minutes of Board meeting held on 8th November 2021, which was chaired and finalised by Mr. Rakesh Kacker, the then Independent Director, it is recorded that [redacted] **stated that it would be better to invite Sh. Ratnesh for the meeting and ask him if he does not want to attend, he can ask for leave of absence."** So, this suggestion and initiative to ask [redacted] to take leave of absence had in fact come from an Independent Director [redacted] ○ However, it is important to see whether legally [redacted] had been appointeddirector of company by 29th October 2021 or 8th November 2021 or 9th November 2021. Given the documents and evidences available, it had not happened. ○ [redacted] has accepted that he had returned all the documents except joining letter handed over by Mr. Ratnesh to him on 29th October 2021. Since Mr. Malhotra was charged with responsibility to complete joining formalities, it was completely inappropriate act on his part to return documents to the candidate. Whereas basic documents like relieving letter and DIR-2 form were not taken by PTC HR, Mr. Malhotra declared that joining formalities were completed only on the basis of

			joining letter of [redacted] and appointment letter issued to [redacted] [redacted]ad sent the joining letter of [redacted]o MD& CEOPFS through email on 29th October 2021 with the request that hard copies of documents may be collected from PTCHR office. Later neither Mr. Malhotra collected various documents like relieving letter, DIR-2 Form, etc., from Mr. Ratnesh nor [redacted] submitted them either electronically or in physical form. o The then Chairman, PFS had not accepted the joining of [redacted] He had instructed concerned officer to accept the joining in terms of 138th and 139th Board decision. No document was made available to committee to show that Mr. [redacted] got approval of Chairman to issue a notification that [redacted]hadjoined. Thus, the joining process was never completed and Chairman had not accepted the joining [redacted]otwithstanding the fact that in terms of Company Act the appointment of [redacted]h had not reached to finality till then. o In today's digital age when any document can be easily and speedily submitted electronically, the claim or allegation that [redacted]or [redacted]tried to hand over some document to some person of PFS has no meaning. o In accordance with already decided protocol, the joining formalities should havebeen completed by designated authority i.e., ED (HR) PTC, [redacted] Malhotra, and then office order issued that [redacted]had joined and thereafter [redacted] should have been guided to PFS office. o Accordingly, all the documents related to joining were to be collected by[redacted]and not by any PFS executive as per already agreed protocol o The role of MD&CEO comes only after the joining formalities have been completed. Therefore, non-compliance was on the part of

ED(HR) PTC.

- On 17th November 2021, for the first time, Mr. Ratnesh submitted his relieving letter to PTC HR through email. Thus, [redacted] acted on the basis of deficient documents and his action was irregular and faulty against rules, regulations and procedure of company. Any action taken in contravention of rules of company and prescribed in the ~~appointment letter~~ does not get validated merely by making statement that documents were present but it was not taken orsubmitted. Merely on the basis of statement made by certain individual that he had d seen certain documents but not kept them in record does not mean that documents were submitted and available. They could have been collected in physical mode and kept in record ~~and even electronic copy~~ could have been obtained on 29th October, 2021 or thereafter to prove their existence and even Mr. Ratnesh could have electronically submitted them on 29th October or a fewdays thereafter.
- It has been established that the action taken by [redacted] was not correct and [redacted] after taking over charge of CMD, PTC on 6th November, 2021 after noticing the gaps and deficiencies, initiated rectification of process and [redacted] submitted his relieving letter for the first time on 17th November 2021 through email, when PTC HR came to know that he was relieved on the basis oflien. It is clear that [redacted] did not disclose till 17th November 2021 that hewas relieved by his employer on the basis of lien. Since appointment letter was issued on absorption basis and Board had approved the same, his joining effort was not in terms of appointment letter and approval of the Board. [redacted] never submitted any request to change the terms of his appointment on lien in place of absorption basis and he never submitted DIR-2 Form and he joined back [redacted] on 6th December 2021. There is no

		resignation letter submitted by [redacted] to PFS before joining back NTPC. It simply means that Mr. Ratnesh never joined PFS. o In accordance with Company Act 2013, the appointment of any Director attains finality only when the potential director submits his consent in DIR-2 form and thereafter the company is supposed to submit such a consent to Registrar in DIR-12 form in 30 days. This is mandatory provision of the ACT. o The deficiency that Mr. Ratnesh did not submit DIR-2 Form and relieving letter from his employer is obvious. Mr. Malhotra had wrongly certified the completion of joining formalities based on two documents – one the joining letter of Mr. Ratnesh and other appointment letter issued by PFS Chairman. In case any executive does something, which is deficient or erroneous, it does not make the process valid. o The entire process of recruitment was actually run by PTC HR as per directions of PFS Board and therefore, PTC HR was custodian of all the information/ documents related with this recruitment process and as such, PFS could not haveprovided documents / information to KPMG for process review. So, the matter related to PFS but process review was that of activities and process undertaken by PTC HR as per directions of PFS Board. o Chairman, PFS had clarified during interaction that that during the meeting held on 9th November 2021, he as Chairman of PFS Board had informed to PFS Board that the process audit of the appointment of Whole Time Directors was proposed to be conducted through a third party, who can go deeper into details and thereafter this process review was commissioned. He had informed that thisis though not recorded in Board minutes but was done with the knowledge of PFS

		Board. o KPMG had said during interaction that they have not passed judgement. However, in the 9th RMC meeting, Shri Gokhale, ID had observed that it cannot be believed that NRC did the selection without scoring, otherwise it would be a gross dereliction of their duties. It has been stated by Mrs. Renu Narang, Ex- Director and the then NRC member of PFS that no scoring sheet was used. Also,PTC HR has confirmed that no scoring sheet was used. Thus, in the opinion of Mr. Gokhale there was gross dereliction of duty on the part of NRC o On 20th January 2022, CMD PTC had informed all members of Board of PTC through email about the KPMG report and enclosed a copy thereof for perusal of members. After KPMG was engaged, the next Board meeting was held on 27.01.2022. o After receipt of RBI Inspection Report and advice of RBI to have arm's length relationship between PTC and PFS, the PFS Board knowing fully well the objections/ reservations of regulator went ahead and entrusted the responsibility of undertaking recruitment process to PTC HR in violation of principle of arm's length relationship. o [redacted]presentative during interaction with RMC has stated that there were lot of gaps in the process and intention is that it should not happen in future.

F1 – Annexures F1 (ii) to F1 (iv)

Annexure	Reference	Management Response
F1 (ii)	VII F	CNK has omitted may important aspects covered in PTC RMC report. Such omitted extracts from PTC RMC report relevant to this matter are as under: a) [redacted] *the then ED(HR) through his email dated 20th October 2021 had clarified to MD, PFS that the two WTD candidates appointed were expected to join shortly and PTC HR would ensure completion of their joining formalities and then hand over process of their orientation and also the candidates' dossiers to PFS team. Also, during 138th meeting of PFS Board held on 28th August 2021, Board had authorized the Chairman, PFS to take further necessary action for giving effect to the appointment of the WTDs. Thus, onus of completion of joining formalities was with PTC HR and not with PFS. Mr. Ratnesh submitted his joining report on 29th October, 2021 to Chairman, PFS/ CMD PTC, on which Chairman, PFS/ CMD PTC ordered, "Accept the joining report in terms of decision of the PFS Board in 138th and 139th Board meetings." These instructions were to be complied by ED(HR), PTC, who was entrusted with this responsibility and it was to be done in terms of 138th and 139th Board decision. Chairman has nowhere accepted the joining report of* [redacted] *instead he instructed concerned person to accept it in terms of Board decisions.* [redacted] *was privy to Board decision being nominee Director of PTC on the Board of PFS. The Board decisions were clearly given to the effect that* [redacted] *should comply with terms and conditions of appointment letter and his appointment was on absorption basis. Mr. Malhotra's email stating, "we welcome today Shri Ratnesh has joined the PTC group family as Director (Finance) & CFO, PFS. Attached scan of joining report of Shri Ratnesh, who has reported for joining today in terms of decision of the Board of Directors" was totally uncalled for because relieving letter of Mr. Ratnesh was not taken on record and* [redacted] *was not joining on absorption basis (Mr. Malhotra had informed during discussions that he knew that* [redacted] *was joining on lien) and thus even minimum terms of appointment were not fulfilled. Mr. Malhotra, before sending above mail, did not take any formal approval of Chairman, PFS/ CMD PTC that Mr. Ratnesh joining formalities were complete and formal orders for his joining may be issued. Then at 1603 hrs on 29th October 2021,* [redacted] *issued another email stating, "Further to mail earlier today and the trailing mail*

		dtd. 20th October, the joining formalities in respect of Sh. [redacted]re completed. The attached documents in hard copy are now available with PTC-HR. You may advise the concerned in HR team, PFS to collect the same for safe custody at their earliest convenience." Thus, Mr. Rajiv Malhotra certified that joining formalities were completed. However, the documents which were available with PTC toward joining formalities were only the joining report dated 29th October 2021 of [redacted]and appointment letter issued to [redacted]on 7th [redacted]d addendum dated 16th September 2021. Obviously, joining formalities were not complete as basic document relieving letter was missing. Whether PFS person accepted or refused documents of Mr. Ratnesh which he wanted to give is immaterial as the documents as available with PTC HR, after clear pronouncement and certification by ED(HR) that joining formalities for Mr. Ratnesh were complete, were emailed to PFS. The purpose of making available the documents to PFS by PTC HR should have been that PFS satisfies itself about adequacy of documents. On the basis of these documents provided by PTC HR, the management of PFS has taken a legal opinion to ascertain the adequacy of joining documents in PFS. b) *On the issue of Joining process, it is absolutely clear that PFS Board had authorized PTC HR and PFS Chairman (CMD, PTC) to run the entire process of recruitment starting from issuing letter to CMDs of promoters of PTC including REC, receipt of application, shortlisting, conducting of interview, issue of appointment letter and getting the joining formalities completed and issuing orders that the candidate has joined. This is corroborated by the email of 20th October, 2021 of [redacted] through which he had confirmed to NRC members that PTC HR will complete joining formalities. Thus, handing over of document to MD PFS or PFS was not only unnecessary but also contrary to agreed and approved procedure in the instant case as intimated by [redacted]imself through email of 20th October, 2021. There was no need of escorting [redacted] MD, PFS office. His joining formalities should have been first completed by PTC HR and orders for joining issued and thereafter, it was the responsibility of MD, PFS to provide office space to him. There was no need to shift the responsibility of taking documents to PFS, which was the responsibility assigned to PTC. Further, the argument that MD, PFS did not ask or see the documents and officer of PFS refused to accept the document and therefore, the formality of submission of*

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		document was complete is not justified. The unfortunate event and ruckus as narrated above could have been avoided. With respect to joining of [redacted], there should have been a better coordination between PTC and PFS to facilitate joining formalities. c) *Regarding the observations made by RBI in its inspection report on non-maintenance of arm's length distance between PTC and PFS on HR matters, Independent Directors had recommended in their meeting held on 15th June, 2020 that HR powers be restored to PFS management. It was decided in 28th July, 2021 Board meeting that those HR powers shall be exercised by NRC of PFS. However, for the purpose of recruitment of Whole Time Directors, Board of PFS entrusted the responsibility of running entire process to PTC HR. It is observed that from 17th July 2021 onwards, in none of the meetings of NRC, the representative of PFS HR was present. It means that the responsibility and authority for running entire process was relied to and vested with PTC HR. Thus, arm's length relationship, as desired/ advised by RBI was not maintained between PTC and PFS in case of this recruitment. It was during the meeting of 9th November 2021, Board agreed in principle to restore HR powers to PFS management. It was during that Board meeting, when for the first time, Chairman of PFS Board informed that PTC has taken a pause in its stake sale of PFS. It is noted that this decision of taking a pause in stake sale of PFS was taken by PTC Board in its meeting held on 11th August 2021 and it was never informed to PFS Board before 9th November 2021. It is also observed that PTC has not charged any fee for running recruitment process of WTDs and this activity being a related party transaction could have been done by PTC as an agent/ consultant and charged the same fee as it would have charged to any other agency in the ordinary course of business to satisfy the condition of arm's length distance.* d) *There has been an issue whether MD&CEO had dissented with the decision of Board taken in 139th meeting on 13th September 2021 in regard to appointment of two WTDs. On 13th September, 2021 NRC had approved enhancement in CTC offered to [redacted] and Audit committee recommended his appointment as CFO. These recommendations were also accepted and approved by Board in its 139th Board meeting held on the same day. The board had finally approved the appointment of WTDS during this meeting. The Board minutes can be referred to, where in one of the paras it is mentioned, "The Chairman appreciated that the Board had given a unanimous*

		decision in the selection of candidates. He further stated that, as suggested by MD&CEO, both the candidates are joining on absorption basis." In the subsequent para appearing in the said Board minutes, it is mentioned that MD& CEO stated that he has certain points which he has already submitted to the N&R committee and Board. He further stated that PFS is not into traditional project financing business. The minutes further record that MD went on to say that "Therefore, PFS will have to get people who are familiar with new products that may be constraint with the selected candidates, which he has highlighted earlier to N&R committee and reiterates now. He further stated that as stated earlier, had PFS gone for an open market selection, we could have evaluated these candidates vis a vis candidates from open market. He further stated that product structuring or restructuring being done now requires a different kind of skill set and attitude." After this statement, it is recorded that "The rest of Board agreed with views of the Chairman N&R Committee." It means there was someone who was not part of this agreement. Thereafter, the decision of Board as recorded in minutes reads as "After discussions on the points raised by MD, the rest of Board accepted all the recommendations of the N&R committee and of the Audit Committee (for Sh. Ratnesh as Director Finance &CFO) as mentioned hereunder and approved the appointment of [redacted] Director (Finance) & CFO an[redacted]s Director (Operations) of the Company, on the terms of the appointment as per the recommendations of the N&R Committee for a period of five years or the date of superannuation (which at present is 62 years), whichever occurs earlier w.e.f. their respective dates of joining:......." The word "rest of Board" coming after reference to MD&CEO clearly indicated that leaving MD&CEO, the Board agreed with it. It is clear that MD & CEO was not in agreement with the decision of rest of Board members and having so recorded in the Board minutes by the Chairman of the Board, it was not a unanimous decision. It was a majority decision leaving MD&CEO. However, once a decision has been taken in Board, the dissent or contrary views of any member has no relevance, as majority decision is the decision of the Board. e) *There is another fact that M[redacted] alone had seen the relieving letter of [redacted] and he also knew that he was joining PFS on lien basis. The building was not on fire, why did M[redacted]eturn back this vital document to M[redacted]nd why did [redacted]take it back and never submitted it till 17th November 2021. Why*

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			could he not submit it by email as he had email addresses of all Directors, ED(HR) and Company Secretary. In this electronic age, any excuse is not acceptable from persons who are holding such a senior level position. The examples of large window of time for completing joining formalities by many directors in past, if true, cannot become a rule to allow someone not to submit his relieving letter for almost three weeks after submitting joining report. Nobody is allowed to join without submitting release order, that too if so, stipulated in appointment letter and this sentiment has been echoed by Independent Directors also in their resignation letter. Any violation of it is just not permitted. The absorption and lien are two distinct concepts. Any person who is on lien cannot be absorbed unless he relinquishes his lien and vice-versa. [redacted] understanding that absorption allows lien is incorrect. It is not the only prerogative of previous organisation to allow lien, the receiving organisation should be ready to accept a person on lien. If receiving organisation has given appointment on absorption, any action of relieving organisation cannot change the terms of appointment letter. It is another surprising factor that in case Mr. Malhotra knew that [redacted] was relieved on lien and Mr. Malhotra had taken Chairman, PFS into confidence before issuing above emails and they were convinced about genuineness of the case, Chairman, PFS could have called an emergency Board meeting and got it ratified. No such action was taken by the then Chairman or proposed by [redacted] he was in charge of HR department of PTC. [redacted] after taking charge of CMD, PTC on 6th November 2021 had the access to the case and he observed that action taken were improper and not according to the rules. He immediately started taking action to rectify it. [redacted] informed PFS Board that relieving letter of Mr. Ratnesh was not available, important documents required to be submitted before joining have not been submitted by [redacted] and these were not merely formalities, the information of joining of [redacted] given by PTC HR was incorrect and Mr. Ratnesh was not a Board member. IDs did not believe the [redacted] PTC and they declared [redacted] as Board member. It is surprising that the same IDs are now questioning in their resignation letter "how did Ratnesh join without sharing his relieving letter", did not listen to CMD during Board meeting of 8th November 2021 and on being asked why did they not believe CMD, they answered it was opinion of CMD, PTC. How a fact spoken can be an opinion? It is clear that [redacted] not

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joined PFS on 29th October 2021 in terms of appointment letter issued to him.

f) *It appears that the relieving letter was concealed. Joining of any employee is an operational matter and executive function. The management is bound to comply the directions of the Board and IDs cannot say that once they had appointed a person, his joining should be ensured whether terms of appointment are fulfilled or not and they should be consulted at every stage and waiver can be granted to the appointed person. If that was the intention, the Board should have appointed the person subject to terms and conditions to be finalised post joining. In this case, Mr. Ratnesh did not submit any request for allowing him to join PFS on lien, the management had no reason or ground to approach to Board to change the terms of appointment already approved by Board. Management is supposed to implement the decision of Board in letter and spirit and management did so in this case.*

g) *The events and their sequence regarding availability/ handling of documents especially relieving letter and why was it not taken on record by the then ED(HR), when it was available and being handed over by [redacted]turning them back to Mr. Ratnesh and even not getting its soft copy within a reasonable time and trying to pass this responsibility to PFS who was not mandated to do so, raises some doubts on the manner and intent thereof. The role of PTC HR during the period prior to 6th November 2021 can however, be independently investigated at the option of management.*

WHETHER [redacted] BECAME DIRECTOR AS PER COMPANY ACT AND IF SO, WHEN?

a) A reference is made to the Sub section (5) of Section 152 of Company Act 2013 under the heading - Appointment of Directors, which stipulates that, "A person appointed as a director shall not act as a director unless he gives his consent to hold the office as director and such consent has been filed with the Registrar within 30 days of his appointment in such manner as may be prescribed." The rules prescribe the format for giving consent by the appointed Director as DIR-2.

b) There was an opinion that appointment in the above provision means date of joining and not the date of issue of appointment letter to the candidate. Also, there was an opinion that when it is customary that PFS facilitates filling of forms and [redacted] was carrying a set of documents

		and MD did not ask for it or saw it, and the document were refused by PFS person when it was being handed over to it and DIR-2 Form should have been there and therefore, Mr. [redacted] fulfilled the requirement of law. The Company Secretary of PFS stated that he had never seen DIR-2 but it could have been there but he was not sure. PTC HR has stated that there is no official record that they had ever sent these forms to Mr. Ratnesh to complete and sign the same and they do not have DIR-2 form signed by Mr. [redacted] Based on available information, it appears that [redacted] never submitted DIR-2 Form and the same was not available either with PTC or PFS either in physical or electronic form. In order to avoid confusions in interpretations, Chairman, RMC had proceeded to take a legal opinion from an expert, on which Hon'ble member [redacted] expressed his reservations/objection including comments on certain other aspects/issues through his letter dated 22.04.2022 sent through email dated 23.04.2022, the copy of letter is enclosed as ***Annex-23.*** *[redacted] therein that the provision of the Companies Act merely mentions that independent directors (note the plural) may seek the opinion of outside experts at the expense of the company and this is stated only as a guidance and not as part of the statute. Further the Chairman, RMC was not authorised to seek such a legal opinion without taking into confidence RMC. The response of Chairman, RMC is enclosed as* ***Annex-24.*** *In the minutes of RMC meeting held on 9th March 2022, it is recorded, "Chairman RMC further stated that there could be matters or issues, which require clarity, and the Board has already mandated that the assistance of an expert can be taken. So, for such issues, Chairman, RMC would take assistance of expert, who could be a legal expert or any other expert, as may be necessary and it was agreed by all the members." However, on receipt of above communication from [redacted] Chairman, RMC immediately withdrew his request for seeking legal opinion in the matter and did not proceed ahead with it.* *c) The provisions of Companies Act, and rules framed thereunder, and Securitization and Exchange Board of India (Listing, Obligations, and Disclosures Requirements) Regulations, 2015 ("LODR Regulations") is referred to.* *Rule 8 of the Companies (Appointment and Qualifications of Directors) Rules, 2014 ("Company Rules") – Consent to act as director stipulates that: -* *"Every person who has been appointed to hold the office of a director shall on or before the appointment furnish to the company a consent in writing to act as such in* ***FORM DIR-***

		2. ***Provided** that the company shall, within thirty days of the appointment of a director, file such consent with the Registrar in **Form DIR-12** along with the fee as provided in the Companies (Registration Offices and Fees) Rules, 2014.* *d) [redacted]s appointed as a director by way of a resolution passed by the Board of Directors of PFS and as such he could have been appointed as an additional director of PFS, which is governed by Section 161 (1) of the Companies Act. Section 152 (5) of Company Act read with rule 8 clearly stipulates that furnishing of the consent of a potential Director in form DIR-2 is mandatory on or before date of his appointment. Subsequently, the company shall file the consent given by the potential director with the ROC, within thirty (30) days of the appointment and the company shall file this consent with the ROC in Form DIR-12. It simply means that only after this form (DIR-2) is submitted and received by the appointer only at that moment the appointment is done. Section 152(5) clearly provides that no persons shall act as a director until and unless he has given his consent (in Form DIR-2) and such a consent has been filed by the company with the ROC (in Form DIR-12). The attention is also drawn to use of word "shall" in section 152(5) and rule 8, as there are legal pronouncements that the word "shall" ought to be considered mandatory in nature. In other words, the appointment of a director is incomplete, if the concerned director has not given his consent in Form DIR-2. In case an individual is appointed as Director through a Board resolution, the person will be considered as appointed only when he/she submits Form DIR-2 to the appointer. Unless DIR-2 form is submitted by the appointee, the appointment has not been done. Thus, mere Board resolution is not the final stage of appointment. The decision of Board is supreme but that decision should reach finality in the eyes of law. It is basically responsibility of appointee to submit DIR-2 form as a condition precedent to appointment. Any facilitation or practice of facilitation by appointer does not waive the requirement of submission of DIR-2 form by the appointee. Assuming, PFS refused his DIR-2 form from accepting (whereas there is no evidence that Mr. Ratnesh had actually filled and signed the DIR-2 form as no one has seen that DIR-2 form and even Mr. Ratnesh refused to answer the question whether he did submit DIR-2 form and if so, when and to whom[redacted]uld have emailed the form to Company Secretary of PFS. The DIR-2 form can be submitted physically as well as electronically. In case, it is argued that [redacted]s not aware of the*

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		requirement, such a senior and experienced person should have known the law and ignorance of law is no excuse. The question of joining arises only after a person has been legally appointed in the company. *e) The person of PTC HR who was entrusted with the responsibility of recruitment process and who received joining report of Mr. Ratnesh should have first collected DIR-2 Form from Mr. Ratnesh before the joining report was taken on record or latest along with the joining report. Mr. [redacted]s ED(HR) PTC, who handled the joining report and joining formalities of [redacted] on 29th October 2021 was himself a Director on the Board of PFS and he must have been aware of this basic requirement. Company Secretary PFS was requested to furnish a copy of email along with attachments thereof through which he had sent the DIR-2 form to PTC HR or ED (HR) to get the same filled up and signed by the selected WTDs for PFS, especially by Mr. Ratnesh after issue of appointment letter. CS, PFS has replied that the documents including DIR-2 which required to be signed by the new incumbent as per statutory requirements, were given to then ED HR-PTC in hard copy. PTC HR department has replied that neither any such document including DIR-2 Form is available in their records as having been received from CS, PFS, nor they have sent it to [redacted]nd no such document signed and received from [redacted] available in their record. Thus, it was only known to [redacted] that DIR-2 Form was to be got filled and signed by Mr. Ratnesh. The joining documents are not scrutinised by the Chairman or MD&CEO. This is done by the functionary responsible therefor and Mr. Malhotra was the person responsible in this case. In case the DIR-2 form was not got filled or signed or returned to Mr. Ratnesh, the responsibility lies with the person dealing with the case. Therefore, certain document not accepted by MD&CEO or a person of PFS (who is unidentified) does not hold water when PTC HR was given and had assumed the entire responsibility for completing joining formalities. Non fulfilment of this requirement, does not make appointment of [redacted]egal and compliant in terms of Companies Act, 2013 unless DIR-2 form was received. [redacted]ompany Secretary of PFS also clearly stated during discussions that DIR-2 Form of Ratnesh should have been available on 29th October, 2021. During discussions, a question was put up to Company Secretary, PFS that proper Corporate Governance was not observed by not issuing notice to[redacted]or 8th November, 2021 Board meeting[redacted]id not agree to it and responded by saying that as Company had not*

			received the documents and as such the MD was also right in not instructing him to issue the notice for 8th November, 2021 and decision to not to coll[redacted] in 8th November, 2021 Board meeting was not wrong. As mentioned above, it has been contended that the papers relevant t[redacted]joining were handed over to the authorized person but persons from PFS refused to accept the said papers. The person authorised to receive DIR-2 from PFS was Company Secretary of PFS, who never said that he refused to accept DIR-2. If Mr. Malhotra was authorised person, he returned the documents to Mr. Ratnesh. No one including Mr. Ratnesh has confirmed that the DIR-2 form was existing or ever submitted. Even if a fault is attributed to PFS or PTC, the responsibility of appointee does not get shifted to appointer/ PTC. The obligation of a director to file Form DIR-2 is unqualified and is not dependent upon satisfaction of any condition precedent. As such, only after[redacted]ad submitted DIR-2 form to PFS, the company was to submit DIR-12 to Registrar within 30 days. Since the submission and availability of DIR-2 form with appointer is a condition precedent and unless [redacted]was appointed in accordance with the law, his joining process cannot proceed. Further, the notice issued t[redacted] attend Board meeting of 9th November and his seeking of leave of absence do not supersede the mandatory provisions of the Act and rules made thereunder. Such a notice or Mr. Ratnesh's request for grant of leave or grant of leave by Board cannot tantamount to completion of Mr. Ratnesh appointment as director of PFS, especially when no DIR-2 Form was submitted to or available with the company. With the rejoining of [redacted] on 6th December 2021, the PFS Board resolution had become infructuous. This issue has to be seen from legal lens and it has to pass the legal criteria. Legal compliance as per provisions of applicable Acts and rules laid down by law of land cannot be considered extraneous issue in the present context by any stretch of imagination. f) *From the above, it is concluded that appointment of [redacted]ould have been complete only if he had submitted the DIR-2 Form duly filled in and signed. Based on available information,[redacted]never submitted the DIR-2 Form and therefore he was never appointed as Director in PFS in accordance with the law of the land. In case he was not facilitated, the compliances to mandatory provisions of Company Act do not get extinguished or lose their validity. It is basically the responsibility of the incumbent to fill and sign the DIR-2 form and submit to*

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		company who has appointed him. In case of failure to do so, his appointment as director has not taken place. Unless appointed, the question of joining does not arise and the joining cannot happen. Therefore [redacted] never became director of the company in the eyes of law.
F1 (iii)	VII F	• CNK seems to have accepted the statement [redacted] correct and has gone ahead with its own baseless views without providing any concrete evidence in support of the same.It is highly unethical and unprofessional to comment upon the integrity of Chairman PTC RMC (Independent Director) by quoting his questions as irrelevant. • The questions asked from [redacted] were about the issues involved at various stages in order to find out the facts and therefore CNK, has erred and been partial in mentioning these as irrelevant. • [redacted] made false statements to RMC that he had given all relevant documents as available with him on the date of joining. In fact, he had concealed the relieving letter issued by NTPC and submitted it to PTC HR through email for the first time on 17th November 2021. His act of concealing the relieving letter was fraudulent since he had retained lien in NTPC and he was eligible to join the Company as the Board had appointed him on absorption basis. **It has been confirmed by CNK also that [redacted] was appointed on absorption basis only.** • His statements were contradicted by [redacted] and other functionaries of the PTC HR. In fact, Mr Ratnesh and [redacted] connived to make [redacted] PFS without submitting the relieving letter of NTPC which mentioned that [redacted] had retained lien in NTPC. However, they could not succeed in this fraudulent activity. • When [redacted] was asked did he join PFS, he did not say that he had joined PFS. He had made a false statement that he had received a phone call from MD of company telling him to take leave of absence for 9th November 2021. The independent directors [redacted] had suggested in the Board that [redacted] may told to take leave of absence. Neither MD made any such communication to [redacted] nor he

		instructed anybody to do so. The allegations that [redacted] was not allowed to join the company is untrue and baseless which has been explained in several paragraphs. • It must be mentioned that Form DIR 2 is the responsibility of potential Director to submit Form DIR 2 before or at the time of reporting for joining the Company [redacted] being a Senior responsible officer of NTPC, was expected to be aware of such basic rules and regulations of the Companies Act. Until and unless the Form DIR 2 is received from the potential director duly signed, no notice for attending board meeting can be issued to him nor he can be allowed to attend any board meeting as he is not eligible to act as a Director.
F1 (iv)	**VII F**	In this regard, it is submitted as under: • The said observations are factually incorrect. • CNK's observation that the conclusions drawn in the RMC report do not adequately address the concerns of the ex-independent directors and 2 members (Independent Directors) of PTC RMC and that the report does not sufficiently address or justify the matters raised related to relieving of [redacted] and following governance procedures for the same is factually incorrect. The report of PTC's RMC was considered and approved by the Board of PTC by a majority vote. It is to be noted that decision of the Board is final once it is voted by the majority of the Board. This is the law of the land and we presume that CNK is aware of it. • It is not within CNK's jurisdiction to comment upon the report of the RMC of PTC, an independent listed company, whose Board has accepted the report. Having been approved by the Board, this report is now final and CNK has no locus standi to comment upon its merits or demerits. • CNK has not appropriately reviewed the minutes of PTC Board meeting as received from PTC and provided to them. • The PTC RMC report has been discussed in detail in the said meeting. • CNK has summarily dismissed the report of 2 members one being RMC Chairman and other being nominee Director of PFS, whereas their report was adopted by PTC Board (by majority).

		• [redacted] Director PTC and Joint Secretary, Ministry of Power had specifically asked in PTC Board meeting whether joining by Sh. Ratnesh on lien basis instead of absorption basis was a curable act as the Board of PFS had decided to appoint WTDs on absorption basis. [redacted]irector stated that it was curable in three ways: either Mr. Ratnesh could have sought revised relieving letter without lien or MD&CEO would have allowed him to join on lien or Board could have reversed its decision and restored the decision taken prior to approval of appointment of Ratnesh. [redacted]stated that in case MD&CEO would have allowed joining on lien, it would have been contempt of Board's approval. CMD(I/C) PTC stated that the fact that Mr. [redacted]had got relieving on lien basis came to knowledge only on 17th November when he first time shared his relieving letter with PTC HR. He never requested for waiver of lien condition and joined back NTPC on 6th December, 2021. • As recorded in PTC Board minutes, the then Chairman, PFS and[redacted]had taken a decision based on a document which was not available, whereas the relieving letter without lien was required to substantiate his eligibility to join. His relieving without lien was not proved even till the date of PTC board meeting. Such a role and conduct of exChairman, PFS being reason of his agitation shows weak corporate governance from side of ex-Chairman, PFS. The role and conduct of former IDs and Chairman of PFS also needs to be seen by PFS Board and required actions should be taken. He opined that lack of governance displayed by the then Chairman, PFS should be included in the report. • Thus, it is abundantly clear from the discussions in and the minutes of PTC Board which mention that the role and conduct of ex- Chairman, PFS being reason of his agitation shows weak corporate governance from side of ex-Chairman, PFS. The role and conduct of former IDs and Chairman of PFS also needs to be seen by PFS Board and required actions should be taken. • The email dated 16th June, 2021 of[redacted]ID to Chairman, inter alia, states that the position of Director (Finance) had fallen

		vacant in 2018 and Board had directed in its meeting held 18th November, 2018 to initiate action. Subsequently, at the request of management, flexibility was accorded by the Board to recruit at the level of EVP/ED if warranted with the Head of Operations to be elevated later to Board position, if found suitable. In December 2019, all powers of MD&CEO were withdrawn as detailed herein. Thus it was Board's decision not to immediately appoint Director (Finance) and later, it was job of NRC and PTC HR to initiate process/recruit Director. MD&CEO had no say or role in the matter. As such NRC initiated the process in March 2021. Facts remains that PFS had already advertised the post of Director (Finance) & CFO. Thus allegation made about check and balances is not only untrue but also unfounded. • The entire process of appointment of [redacted] was handled by HR PTC as is evident from the minutes of meetings of NRC, Audit Committee and Board. • MD&CEO, PFS had been completely disempowered by the erstwhile Chairman / Board. MD&CEO had no powers to decide on the appointments, transfers, promotions and postings at the level of functional head and one level below. In other words, the MD&CEO could not even appoint a Manager in PFS. • Therefore, PFS cannot be held liable for not communicating with Mr. Ratnesh, whose joining formalities were never completed and more so, after his re-joining NTPC. • It is also unfortunate that CNK has ignored completely the multiple email correspondences between PTC HR and [redacted] that were provided to them on receipt from PTC. • These emails clearly indicate the multiple lapses committed by [redacted] in completing the joining formalities. • As far as PFS is concerned, it has no locus standi to discuss with [redacted] as [redacted] ever joined PFS nor was PFS involved in his selection. In case he had joined PFS, how could he have joined back NTPC. The fact is that Mr Ratnesh never became an employee or Director of PFS at any point of time either de facto or de jure. • It may also be noted that the guidelines of the

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		Department of Public Enterprises (DPE) prohibit maintaining a lien when leaving a PSU and joining a private company
		• Being a PSU employee, [redacted] not eligible to retain Lien while joining a private sector company. Thus, he retained a lien probably by misrepresentation to NTPC, a CPSU.
		• [redacted]committed a fraud on PFS by misrepresenting and concealing the information of retaining lien in NTPC.
		• The internal auditors of the Company have already pointed out in their internal audit report for Q4FY2023 that
		   o In cases of [redacted]nd [redacted] - the consent letter was dated 30th March 2022 whereas date of appointment was 29th March 2022
		   o in cases of [redacted] and Mr. [redacted] – incorrect information was presented in the consent letter.
		• The said internal audit report has been duly considered by the audit committee of PFS.
		• It may be noted that [redacted] and [redacted] did not act as Director of PFS before submission of DIR 2 form to the Company and no notice for Board meeting was sent to them prior to this date.
		• Further, it is pertinent to mention that these persons have been appointed as Independent Director whereas [redacted] was supposed to join PFS as Whole-Time Director (Finance) & CFO, as an executive functionary.
		• The statement of CNK that Form DIR 2 of Mr [redacted]ould have been obtained after his joining on the citing the above cases, is misleading as these persons did not join the Board until and unless Form DIR 2 was submitted by them to the Company.
		• In order to avoid such instances and to fix responsibility for the error caused, the Company is contemplating necessary action against the persons responsible for this.
		• [redacted]id not join PFS Board and was not eligible to receive notices of Board meetings. The insistence of Ex Independent Directors to send him notices of board meetings and invites was

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		patently incorrect and illegal. • CNK has rightly confirmed that from the video recording of the 138th Board meeting held on 28th August 2021, it is clear that the Board was of the view that he should join on absorption not on deputation, however, they have chosen to remain silent on the fact that [redacted] purported to join PFS not on absorption basis but on lien basis and this fact was not disclosed by [redacted]t the time of submission of his joining report. CNK has been selective in presenting facts and reporting.

G1 – Annexures G1 (i) to G1 (xiv)

Annexure	Reference	Management Response
G1 (i)	VII G	• The views of CNK are factually incorrect and baseless. • It seems CNK has not completely verified the minutes of meetings of Board and NRC. • [redacted] superannuated on 18th September 2018 and at that time there were 2 Whole Time Directors in PFS. • [redacted] was appointed as MD&CEO of PFS on 3rd October 2018. Mr. Naveen Kumar continued to be Whole Time Director of PFS till his superannuation in July 2021. • As mentioned in sequence of events no. IV, the Board of Directors in their meeting held on 12th November 2018, noted the minutes of 32nd and 33rd NRC meeting and "with respect to the actions for filling up the position of Director (Finance) & CFO, the various aspects were discussed by the Board including identification of the suitable candidate for the post and its requirement. After detailed discussions, the Board desired that the Nomination & Remuneration Committee may consider to issue the advertisement for the position of Executive Director level / EVP and in order to attract good candidates a clause be inserted in the advertisement that based on her/his performance there exists possibility of further elevation to board level position." • Thus, it was Board's decision not to appoint Whole-Time Director (Finance) • Thereafter, it was only in the board meeting held on 9th March 2021 that the Board agreed that advertisements for the post of Director (Finance) & CFO and Director (Operations) be issued by 31st March 2021 since Director (Operations) will be superannuating in July 2021. The Board was also of the opinion that the same process may be followed for the selection as was done earlier incase of appointment of MD &CEO and the recruitment process would be handled by a resource person from PTC, as was in case of MD & CEO. [redacted] was identified as the resource person for the said job from PTC.

G1 (ii)	**VII G**	• It is factually incorrect to say that NRC recommendations were not followed or implementation thereof was delayed by the management. • CNK has not quoted any instance of not following NRC's recommendations and Board decisions. • MD&CEO, PFS had been completely disempowered by the erstwhile Chairman / Board. MD&CEO had no powers to decide on the appointments, transfers, promotions and postings at the level of functional head and one level below. In other words, the MD&CEO could not even appoint a Manager in PFS. • It may be mentioned that Nomination and Remuneration Committee of PFS, in its meeting held on 23rd December 2019, took the strange and unprecedented decision that all the HR matters of PFS shall be dealt with the approval of Director (HR), PTC, which included, matter related to appointments, transfers, postings, promotions etc. and internal communication to employee. PFS (HR) team was to assist Director (HR), PTC in all these matters. • Subsequently, in its meeting held on 27th January 2020, the NRC made certain amendments to above. However, MD&CEO continued to be completely disempowered by the erstwhile Chairman / Board. MD&CEO had no powers to decide on the appointments, transfers, promotions and postings at the level of functional head and one level below. In other words, the MD&CEO could not even appoint a Manager in PFS. • This abnormal arrangement diminished the arm's length relationship between the holding company and its subsidiary. • RBI raised concern on arm's length relationship of Company with its Parent Company • i.e. PTC India Limited in its inspection report and mentioned that Arm's length relationship with its parent company, PTC India Limited, was not ensured w.r.t the management of human resources. • RBI also raised this as a Supervisory Concern during its inspection for the year ended 31st March 2020 and directed that the company shall ensure arm's length relationship with its parent

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		company, i.e. PTC India Limited, w.r.t the management of human resources. • The inspection report and supervisory concerns were raised by RBI vide its letters dated 12th May 2021 and 4th June 2021 respectively. • The above inspection reports and directions of RBI were placed before the Board of PFS, which regrettably did not comply. • The concerns raised by RBI were also reviewed by the Ministry of Power (MoP) which directed PTC and PFS to comply with RBI's report and recommendations to the satisfaction of RBI. • MoP specifically directed reversing of decisions that impair proper Corporate Governance, maintenance of suitable arm's length distance between the two companies and immediately addressing the conflicts. • In blatant disregard to the supervisory concerns and inspection findings of RBI, and directives issued by MoP, the erstwhile and Board decided to entrust the entire process of appointment of Directors to HR of PTC India Limited. • From the above, it is clear that there was blatant disregard of regulatory directives and procedural compliances by PTC HR. • It is pertinent to mention that the Board authorised the then Non-Executive Chairman to take all actions relating to appointment o[redacted] and undue haste was exercised to ensure the joining of Mr. Ratnesh on 29th October 2021 without submission of required documents as stipulated in appointment letter signed by the then Chairman. • The joining process was led by the then Chairman and Sh. Rajiv Malhotra, PTC HR and it was closer to the last day of the then Chairman. • [redacted] submitted joining report dated 29 October 2021. However, his Release order from NTPC was shared by him for the first time only on 17 November 2021 through email and his copies of qualification certificates on 18 November 2021. As per offer of appointment dated 7 Sept 2021, he was required to provide the 'release order' and 'qualification certificates' at the time of joining. • The joining report was defective since the date of joining was mentioned as 29 September 2021.

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		• [redacted]had retained lien on the post of Chief General Manager in NTPC for a period upto 30 September 2023. This fact was not disclosed by Mr. Ratnesh at the time of submission of his joining report. Also appointment letter was issued on absorption basis. • It may also be noted that the guidelines of the Department of Public Enterprises (DPE) prohibit maintaining a lien when leaving a PSU and joining a private company • Being a PSU employee, [redacted] was not eligible to retain Lien while joining a private sector company. Thus, he retained a lien probably by misrepresentation to NTPC, a CPSU. • The minutes of the board meeting held on 13th September 2021 clearly indicate that hiring of candidates was to be on absorption basis only for Director level people and that PFS should not overlook any procedure in this regard. Therefore, [redacted] release on lien basis and maintaining lien till 30 Sept 2023 is contradictory to aforementioned board's decision of hiring candidate on absorption basis. His concealing this vital fact amounts to an act of fraud. • [redacted]HR Head PTC informed the Board in its meeting held on 13th September 2021 that [redacted] is joining on absorption basis. This was a factually incorrect statement. Board approved the appointment of WTDs based on this confirmation given to them. The letter of appointment was issued on absorption basis and it had no option of deputation/lien in any of its covenants. • Thus, it is clearly visible that CNK has presented its finding without giving cognizance to the complete set of documents and information made available to them and they have made baseless allegations against the PFS management. • The management of PFS had no powers or role in the appointment of Ratnesh. • MD&CEO had, in fact, no role in the appointment and joining of Mr. Ratnesh. PFS Board had authorized PTC HR to run entire recruitment process. [redacted]ugh email of 20th October, 2021 had informed NRC members that PTC HR will complete joining formalities. Till then PFS had no role to play. It was not in their or PFS's

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		control to obtain Vigilance Clearance, an unconditional Release Letter, or the regulatory compliance from [redacted]Absent these and given Mr. Ratnesh's failure to execute necessary documents to furtherance of the decision of the Board to appoint him, there was nothing that PFS could have done to take steps to appoint him. • NRC & Board in its meeting held on 16th March, 2021 had decided that entire recruitment process was to be handled by PTC HR and PFS was given no responsibility except to intimate its input of Job description etc. In case there was a delay, it was caused by the resource person of PTC who took no action till next meeting of NRC of 21st June, 2021. As such blaming PFS is not only incorrect but also biased as selective information has been used and material relevant facts have been conveniently ignored by CNK
G1 (iii)	**VII G**	• The observation of CNK is completely baseless. It seems CNK has not evaluated the parameters independently. • [redacted] ab-initio did not satisfy the key requirement of joining on absorption basis as per the Board's decision. He did not provide his relieving letter to conceal this fact from PFS Board and PFS HR. This was purported to be done with the intention of making him join PFS in a hurried manner, short circuiting the laid down norms and compliances. [redacted] being a public servant, it would be appropriate to refer this matter and his conduct to the Central Vigilance Commission (CVC). • Nomination and Remuneration Committee decided to give options to candidates who had applied the post of Director (Finance) for being considered for the post of Director (Operations) also at the time of interactions. It must be noted that such changes are not done post receipt of applications as otherwise, the response of candidates could be different. • The entire process of appointment of [redacted] handled by HR PTC India Limited • The entire issue is also irrelevant now as he re-joined [redacted] December 2021. [redacted] retained a Lien on his job at [redacted] and was not appointed by Board on absorption basis, which was one of the important

		parameters not satisfied by him. • He did not comply the requirements as stipulated by the Board and mentioned in the appointment letter. • Further [redacted] concealed the relieving letter issued by NTPC at the time of submitting joining report on 28.10.2021 and held it back thereafter also for long time and made it available only on 17th November, 2021through email. • It is pertinent to note that the erstwhile audit committee itself found that the experience of [redacted] questionable as evident from the minutes of meetings of Audit Committee and Board held on 13th September 2021. o The Audit Committee members in the audit committee Chaired by [redacted]ealised that [redacted] did not possess NBFC experience. However, rather than making their own independent assessment, audit committee relied on the views of N&R Committee. Instead, the audit committee members were of the view that Sh. Ratnesh will be assisted by the team of experienced professionals in PFS who have good experience of NBFC sector and also have the guidance of MD&CEO to work as Director (Finance) & CFO. In effect, the Audit Committee recommended that Sh Ratnesh be trained in his job as a Director, drawing a compensation of over one crore plus perks, be trained and taught his job by the MD. • It is also to be noted that in accordance with the Master Directions issued by RBI, PFS is required to furnish to RBI, a certificate signed by the Managing Director confirming that fit and proper criteria in selection of the Directors has been followed. Therefore, the MD&CEO had a legal obligation to ensure that the selection of Mr. Ratnesh was fit and proper, notwithstanding that the entire process was managed by PTC HR.
G1 (iv)	VII G	• CNK has been selective in presenting facts and they have failed to mention the extracts of audit committee meeting held on 13th September 2021. The extract of audit committee is given

		below. • It is pertinent to note that the erstwhile audit committee itself found that the experience of [redacted] questionable as evident from the minutes of meetings of Audit Committee and Board held on 13th September 2021. o The Audit Committee members in the audit committee Chaired by [redacted] realised that [redacted] does not possess NBFC experience. However, rather than making their own independent assessment, audit committee relied on the views of N&R Committee. Instead, the audit committee members were of the view that [redacted] will be assisted by the team of experienced professionals in PFS who have good experience of NBFC sector and also have the guidance of MD&CEO to work as Director (Finance) & CFO. • Role of MD&CEO was limited to providing certain requirements regarding the position, based on functional requirements of the Company, which were not considered by NRC and Board. • [redacted] did not have requisite experience of NBFC.
G1 (v)	VII G	• CNK's comments are out of place and irrelevant to the scope of forensic audit. • These are highly unprofessional, unethical, malicious and petulant comments upon the experience of current MD&CEO at the time of his appointment as Director Finance and CFO in the year 2012 • It seems CNK has not been able to comprehend the market dynamics and changes in regulatory and business regime pertaining to NBFCs in last 10 years. • It may be mentioned that it has been norm to appoint the Board members through open advertisement and the same could have been adopted in this case also which the Board and NRC had initially decided in the month of March 2021 and June 2021. • **It is important to be cognizant of the fact that the regulatory regime for NBFCs is constantly changing and RBI is very closely monitoring and**

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		supervising the functioning of NBFCs. • **Since the identification of stressed loan accounts in banking sector, reference of largest exposures to NCLT under IBC norms, failure and collapse of IL&FS, SREI, DHFL, Yes Bank etc., RBI has been constantly and frequently tightening the regulatory regime / norms.** • **Subsequent to 2012, RBI has announced unprecedented regulatory and supervisory measures such as flexible restructuring of loans, strategic debt restructuring, special norms for infrastructure projects and their restructuring, resolution as per circular dated 7th June 2019, resolutions and measures taken during COVID times, risk based internal audit mechanism, introduction of scale based regulation, liquidity management framework, RBI's carve outs in respect of Ind AS norms for NBFCs etc.** • **All the above measures are only a part of measures introduced since 2012, hence, it is not only improper but also illogical and irrational to compare the skill set required currently with that in 2012, needless to mention the unprofessional and unethical nature of such views.**
G1 (vi)	**VII G**	• [redacted] points were not technical. These relate to the compliance with applicable laws, terms and conditions of the appointment letter and approvals accorded by Board. • [redacted] submitted joining vide his letter viz., Joining report dated 29 October 2021. However, his Release order from NTPC was shared by him for the first time only on 17 November 2021 by email and his copies of qualification certificates on 18 November 2021. As per offer of appointment dated 7 Sept 2021, he was required to provide the 'release order' and 'qualification certificates' at the time of joining. • The joining report was defective since the date of joining was mentioned as 29 September 2021. • [redacted] had retained lien on the post of Chief General Manager in NTPC for a period upto 30 September 2023. This fact was not disclosed by [redacted] at the time of submission of his joining report. The fact that he did not disclose retention of Lien and concealed the relieving letter issued by NTPC raises serious concerns

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		regarding his integrity and ethics. • Being a PSU employee, [redacted] was not eligible to retain Lien while joining a private sector company and also the appointment latter was issued on absorption basis. • It may also be noted that the guidelines of the Department of Public Enterprises (DPE) prohibit maintaining a lien when leaving a PSU and joining a private company. • **Thus, he appears to have misrepresented to [redacted] a CPSU for retaining lien which was not allowable in terms of his appointment letter. [redacted] being a [redacted] employee (a CPSU Company) was governed by misconduct rules and is in serious violation of code of conduct applicable to government employee. It is a clear cut case of misrepresentation, deliberately hiding crucial information resulting into the matter being blown out of proportion by the Ex Independent Directors of PFS, thereby causing serious damages, loss of reputation and goodwill of the Company, inviting regulatory concerns into corporate governance. The acts and conduct of [redacted] present a fit case for reference to CVC.** • The minutes of the board meeting held on 13th September 2021 clearly indicate that hiring of candidates was to be on absorption basis only for Director level people and that PFS should not overlook any procedure in this regard. Therefore, Mr. Ratnesh's release on lien basis and maintaining lien till 30 Sept 2023 is contradictory to aforementioned board's decision of hiring candidate on absorption basis. His concealing this vital fact amounts to an act of fraud. • **[redacted], HR Head PTC informed the Board in its meeting held on 13th September 2021 that Sh. Ratnesh is joining on absorption basis. This was a factually incorrect statement.** Board approved the appointment of WTDs based on this confirmation given to them. The letter of appointment was issued on absorption basis and it had no option of deputation/lien in any of its covenants. • Thus, it is clearly visible that CNK has presented its finding without fully verifying the complete set of documents and information made available to them and they have made baseless

		allegations against the PFS management. **The direction of Board were actually implemented in letter and spirit. There was no request from [redacted] to allow him deviation from his appointment letter and therefore the comments of CNK are irrelevant and without any basis.**
G1 (vii)	**VII G**	• CNK's views are beyond facts. • On the contrary, [redacted] conduct raises doubts about his integrity and ethics. • [redacted] joining formalities were never complete, he did not join PFS and hence, this observation becomes baselsss. • [redacted] submitted joining report dated 29 October 2021. However, his Release order from NTPC was shared by him for the first time only on 17 November 2021 through email and his copies of qualification certificates on 18 November 2021. As per offer of appointment dated 7 Sept 2021, he was required to provide the 'release order' and 'qualification certificates' at the time of joining. • The joining report was defective since the date of joining was mentioned as 29 September 2021. • [redacted] through his email dated 20th October, 2021 had informed NRC members that PTC HR will complete joining formalities. Till then PFS had no role to play. It was not in their or PFS's control to obtain Vigilance Clearance, an unconditional Release Letter, or the regulatory compliance from Mr. Ratnesh. Absent these and given Mr. Ratnesh's failure to execute necessary documents to furtherance of the decision of the Board to appoint him, there was nothing that PFS could have done to take steps to facilitate him. Since he did not join PFS, there was no question of facilitating his functioning. PFS did not put the appointment of Mr. Ratnesh on hold, as [redacted] himself did not complete the prerequisites for the joining. • The invites for the Board meetings are sent in accordance with the provisions of Companies Act and the rules made thereunder. • In accordance with the Companies Act and rules made thereunder, appointment of [redacted] would have been complete only if he had

		submitted his consent in DIR-2 form, which he never did. [redacted] never became Director of PFS in the eyes of law and therefore no notice of Board could have been sent to him without violating law. Further in case, it is assumed that he had joined PFS and was a Director of PFS, why did he not resign from PFS and joined back NTPC without getting relieved from PFS?
G1 (viii)	VII G	• It is clearly recorded in the minutes of Board meeting held on 8th November 2021 approved by Mr. Rakesh Kacker that Mr. [redacted] stated that it would be better to invite [redacted] for the meeting and ask him if he does not want to attend, he can ask for leave of absence. • [redacted]sked leave of absence from meeting held on 9th November 2021. • It is clearly recorded in the minutes of Board meeting held on 9th November 2021 that on request of Independent Directors, invite was sent to [redacted] • Thus, [redacted] was invited only at the instance of Ex Independent Directors which was clearly a violation of law since [redacted] was not eligible to receive the notice of Board meetings and participate therein as Director of PFS.
G1 (ix)	VII G	• CNK's views are based on incomplete review of information • PTC HR handled the entire appointment process, in violation of RBI's directive on maintaining arm's length between PTC and PFS. It is understood that [redacted] again concealed the fact of his re-joining NTPC, which is unbecoming of a public servant. • PTC HR requested NTPC HR vide email dated 23rd December 2021 regarding the status of Mr Ratnesh • [redacted] informed PTC HR vide email dated 24th December 2021 that [redacted] has rejoined NTPC on 6^{th} December 2021. • PTC HR communicated the same to [redacted] Ex Company Secretary, PFS on 3rd January 2022, who in turn informed all the Ex Independent Directors on 4th January 2022. • It may be noted that there had not been any Board meeting since 09.11.2021, and discussion

		on this issue was proposed at the next board meeting, as borne out from PFS' email dated 15.01.2022, along with a detailed note on this issue and all correspondence sought by the Resigning IDs in this regard (as made available by PTC India Limited).
G1 (x)	**VII G**	• CNK's observation is baseless and based on lack of understanding of applicable SEBI regulations • PFS informed BSE and NSE on 14th September 2021 that the Board of Directors of the Company in their meeting held on 13th September 2021 has approved the appointment of Sh. Ratnesh as Whole Time Director designated as Director (Finance) & CFO w.e.f. date of his joining. • [redacted] appointment would have been effective when he joined PFS after completing all the necessary documentation and stipulated process • [redacted]ever joined PFS and submitted his consent in DIR-2 form. • Hence, the requirement of informing the stock exchanges never arose.
G1 (xi)	**VII G**	• CNK's observation is factually incorrect • After reconstitution of the Nomination and Remuneration Committee, restoration of necessary authority and approval of NRC and Board, the Company has already advertised vacant position for Executive Director in Credit Appraisal function and Director (Finance) & CFO • ED monitoring has already been appointed in July 2022.
G1 (xii)	**VII G**	• CNK's observation is false, malicious and speculative statement. • CNK has failed to examine and review the detailed reply submitted by the Company to SEBI. The replies given have to be read as a whole. • CNK has not provided any evidence based on which they feel that the Company gave incomplete and factually wrong replies to SEBI • It is also important to note that SEBI also did not give any basis / instance for it being unsatisfactory. • Therefore, it is incorrect to say that Company

		gave an incomplete and factually wrong replies to SEBI.
G1 (xiii)	VII G	• In this regard, it is submitted as under: • The allegations raised by CNK that [redacted] was thwarted in taking up his responsibilities at PFS are baseless and without merit as already explained in various paragraphs of . above. • On the contrary, CNK's findings are without giving cognizance to the documents / information provided to them by PFS and evaluation of the facts. • It is purely speculative, highly inappropriate and unprofessional to allege that the management ensured that the position of Whole Time Director (Finânce) remained vacant and thwarted efforts to fill in the vacancy. • As mentioned in sequence of events above by CNK, the Board of Directors in their meeting held on 12th November 2018, noted the minutes of 32nd and 33rd NRC meeting and *"with respect to the actions for filling up the position of Director (Finance) & CFO, the various aspects were discussed by the Board including identification of the suitable candidate for the post and its requirement. After detailed discussions, the Board desired that the Nomination & Remuneration Committee may consider to issue the advertisement for the position of Executive Director level / EVP and in order to attract good candidates a clause be inserted in the advertisement that based on her/his p erformance there exists possibility of further elevation to board level position."* • As mentioned in the above resolution of the Board meeting held on 12th November 2018, the Board decided that in place of Director (Finance), the advertisement for the position of Executive Director level / EVP may be issued who can be later elevated to board level position. • Thus, Board decided not to appoint Director (Finance). • The conduct and fraudulent acts [redacted] have already explained in great details at various places in PFS' response in this report. • MD&CEO, PFS was completely disempowered by the erstwhile Chairman / Board. MD&CEO

		had no powers to decide on the appointments, transfers, promotions and postings at the level of functional head and one level below. In other words, the MD&CEO could not even appoint a Manager in PFS and even RBI, the regulator of NBFCs had raised concerns. • It may be mentioned that Nomination and Remuneration Committee of PFS, in its meeting held on 23rd December 2019, took the strange and unprecedented decision that all the HR matters of PFS shall be dealt with the approval of Director (HR), PTC, which included, matter related to appointments, transfers, postings, promotions etc. and internal communication to employee. PFS (HR) team was to assist Director (HR), PTC in all these matters. • Subsequently, in its meeting held on 27th January 2020, the NRC made certain amendments to above. However, MD&CEO continued to be completely disempowered by the erstwhile Chairman / Board. MD&CEO had no powers to decide on the appointments, transfers, promotions and postings at the level of functional head and one level below. In other words, the MD&CEO could not even appoint a Manager in PFS. • This abnormal arrangement diminished the arm's length relationship between the holding company and its subsidiary. • RBI raised concern on arm's length relationship of Company with its Parent Company i.e. PTC India Limited in its inspection report and mentioned that Arm's length relationship with its parent company, PTC India Limited, was not ensured w.r.t the management of human resources. • RBI also raised this as a Supervisory Concern during its inspection for the year ended 31st March 2020 and directed that the company shall ensure arm's length relationship with its parent company, i.e. PTC India Limited, w.r.t the management of human resources. • The inspection report and supervisory concerns were raised by RBI vide its letters dated 12th May 2021 and 4th June 2021 respectively. • The above Inspection reports and directions of RBI were placed before the Board of PFS, which regrettably did not comply.

		• The concerns raised by RBI were also reviewed by the Ministry of Power (MoP) which directed PTC and PFS to comply with RBI's report and recommendations to the satisfaction of RBI. • MoP specifically directed reversing of decisions that impair proper Corporate Governance, maintenance of suitable arm's length distance between the two companies and immediately addressing the conflicts. • In blatant disregard to the supervisory concerns and inspection findings of RBI, and directives issued by MoP, the erstwhile and Board decided to entrust the entire process of appointment of Directors to HR of PTC India Limited. • From the above, it is clear that there was blatant disregard of regulatory directives and procedural compliances by HR PTC. • The then Non-Executive Chairman issued the appointment letter to Mr. Ratnesh on 7th September 2021 even before the PFS Board accepted and approved the recommendations of N&R Committee and Audit Committee and approved the appointment of Mr. Ratnesh for the position of Director (Finance) & CFO by PFS Board. The same is evident from the minutes of Board meeting held on 13th September 2021. • It is pertinent to mention that the Board authorised the then Non-Executive Chairman to take all actions relating to appointment of Mr. Ratnesh and undue haste was exercised to ensure the joining of Mr. Ratnesh on 29th October 2021 without submission of required documents as stipulated in appointment letter signed by the then Chairman. • The joining process was led by the then Chairman and [redacted]HR PTC and it was closer to the last day of the then Chairman. • [redacted]ubmitted joining confirmation vide his letter viz., Joining report dated 29 October 2021. However, his Release order from NTPC was shared by him only on 17 November 2021 through email and his copies of qualification certificates on 18 November 2021. As per offer of appointment dated 7 Sept 2021, he was required to provide the 'release order' and 'qualification certificates' at the time of joining. • The joining report was defective since the date of

		joining was mentioned as 29 September 2021. • [redacted] had retained lien on the post of Chief General Manager in [redacted] for a period upto 30 September 2023. This fact was not disclosed by Mr. Ratnesh at the time of submission of his joining report. Also appointment letter was issued on absorption basis. • It may also be noted that the guidelines of the Department of Public Enterprises (DPE) prohibit maintaining a lien when leaving a PSU and joining a private company • Being a PSU employee, [redacted]h was not eligible to retain Lien while joining a private sector company. Thus, he retained a lien probably by misrepresentation to NTPC, a CPSU. • The minutes of the board meeting held on 13th September 2021 clearly indicate that hiring of candidates was to be on absorption basis only for Director level people and that PFS should not overlook any procedure in this regard. Therefore, [redacted] release on lien basis and maintaining lien till 30 Sept 2023 is contradictory to aforementioned board's decision of hiring candidate on absorption basis. His concealing this vital fact amounts to an act of fraud. • [redacted]R Head PTC informed the Board in its meeting held on 13th September 2021 that [redacted] is joining on absorption basis. **This was a factually incorrect statement.** Board approved the appointment of WTDs based on this confirmation given to them. The letter of appointment was issued on absorption basis and it had no option of deputation/lien in any of its covenants. • It is pertinent to note that the erstwhile audit committee itself found that the experience of [redacted]is questionable as evident from the minutes of meetings of Audit Committee and Board held on 13th September 2021. o The Audit Committee members in the audit committee Chaired by [redacted] realised that [redacted]h did not possess NBFC experience. However, rather than making their own independent assessment, audit committee relied on the views of N&R Committee. Instead, the audit committee members were of the view that [redacted]will be assisted by

		the team of experienced professionals in PFS who have good experience of NBFC sector and also have the guidance of MD&CEO to work as Director (Finance) & CFO. In effect, the Audit Committee recommended that [redacted] be trained in his job as a Director, drawing a compensation of over one crore plus perks, be trained and taught his job by the MD. • It is also to be noted that in accordance with the Master Directions issued by RBI, PFS is required to furnish to RBI, a certificate signed by the Managing Director confirming that fit and proper criteria in selection of the Directors has been followed. Therefore, the MD&CEO had a legal obligation to ensure that the selection of Mr. Ratnesh was fit and proper, notwithstanding that the entire process was managed by PTC HR. **Thus, it is clearly visible that CNK has presented its finding without fully verifying the complete set of documents and information made available to them and they have made baseless allegations against the PFS management.**
G1 (xiv)	VII G	• These comments are hypothetical and baseless. • PFS has provided its response on CNK's allegations in draft report on loan accounts at relevant places. • It must be noted that [redacted] conduct is itself questionable, unethical and casts serious aspersions on his integrity. He himself committed a fraud by concealing his relieving letter and thereafter, by quietly re-joining [redacted] • After reconstitution of the Nomination and Remuneration Committee, restoration of necessary authority and approval of NRC and Board, the Company has already advertised vacant position for Executive Director in Credit Appraisal function and Director (Finance) & CFO • ED monitoring has already been appointed in July 2022. • The response on loan accounts is provided separately on CNK's observations which have not found any material weakness. These comments by CNK are in extremely poor taste and highly unprofessional.

H – Annexure H (Sequence of event indicating the Role of [redacted]a in recruitment process for Director in PFS)

09.03.2021	NRC and Board decides to advertise posts of Director (Operations) and Director (Finance) by 31st March 2021 and recruitment process be run by PTC Resource person. Mr. [redacted]dentified as Resource Person.
21.06.2021	NRC notes that advertisement was not issued. IDs in their meeting held on 15th June 2021 had noted that advertisement was not issued. PFS clarifies its role was limited to issuance of advertisement in press after its receipt from PTC. NRC desires that Advertisement be issued by 30th June 2021.
21.06.2021	[redacted]oins Board of PFS. Inducted into NRC.
17.07.2021	[redacted]akes presentation before NRC. NRC decides in deviation to policy and past decision: - a) To invite applications only from PTC group, promoters of PTC and REC by giving three weeks' time to applicants. b) Increase Superannuation age as 62 years from 60 years. c) Consider internal candidates equivalent to candidates from promoters of PTC and REC for eligibility i.e., no relaxation to internal candidates. d) Allow Deputation/ lien because PTC was selling its stake in PFS so that they can go back in case they are uncomfortable post this event. e) Takes U-Turn on issue of press advertisement decided by NRC and Board in march 2021 and reiterated by IDs in their meeting held on 15th June and NRC meeting held on 21st June 2021. NRC ignores almost all the recommendations or suggestions of MD&CEO regarding eligibility and experience except young persons may be brought as Director by reducing entry age but making relaxation in favour of candidates approaching to age of 58 years.
	PLEASE NOTE [redacted] GM[redacted] was reporting to Mrs. [redacted]. There was clear hint given in informal discussions that above modifications were done to bring him to PFS as Director (Finance).
20.07.2021	Application invited through letter of Chairman, PFS but the Job description not uploaded in web sites of PTC or PFS though so mentioned in the letter of Chairman, PFS addressed to CMDs of NTPC, PFC, REC and Power Grid.
06.08.2021	Mr. [redacted]bmits his application to [redacted] on 6th August 2021 (Last date) at 09:12 PM THROUGH EMAIL. No other person had sent applications on [redacted]email. The last date was 6th August 2021, 1700, hrs i.e., up to close of office. This fact was never reported by [redacted]or PTC HR to NRC.

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07.08.2021	[redacted] forward application of [redacted] to his HR department stating that this application was received yesterday. A clear case of late receipt of application.
11.08.2021	PTC Board approves Management proposal to take pause on sale of PTC stake in PFS. But this information is never disclosed to PFS NRC or Board till 9th November 2021. For the first time when [redacted]oins PFS Board as its Chairman. On 9th November 2021, he discloses this information to Board and it becomes basis for restoration of HR powers to MD & CEO.
12.08.2021	The observations and comments of MD on eligibility criteria of candidates stating the same as extremely important are sent by PFS to PTC HR for placing the same before NRC, wherein MD also requests that he may be allowed to participate in selection/ interview process.
13.08.2021	MD dendaan email to NRC members also enclosing his comments and request to allow him to participate in Selection/interview process.
13.08.2021	NRC ignores suggestions of MD&CEO and Chairman NRC rejects the request of MD on the ground that MD cannot be a member of NRC. ***NOTE:- In PESB, the CEO of company is invited to participate in interview of Directors , though CEO is not member of Selection panel as CEO's signatures are not taken on decision but CEO participates in interview and is heard in selection of candidates. Of Course CEO can not be member of NRC but there is no provision in Company Act that CEO can not participate in interview process. If Chairman NRC view was correct then no one outside NRC members should have been invited to be part of selection panel. It clearly shows intention of NRC Chairman.***
13.08.2021	NRC shortlists candidates and decides to consider all candidates who had applied for Director (Finance) for the post of Director (Operation also)
28.08.2021	Interview is held. [redacted] disassociates herself from selection of Mr. Ratnesh, whereas she participates in selection of another candidate from NTPC. NRC recommendations are presented to Board
28.08.2021	MD& CEO raises his reservation on selection of candidates. Board approves the selection of WTDs. For [redacted] Board decides to approve his appointment as CFO after recommendations of Audit Committee are received.
07.09.2021	Mr. [redacted] PFS issues appointment letter to [redacted] as D(F) & CFO, though Audit Committee had not recommended his name as CFO till then and approved by Board thus a defective appointment letter was issued without approval of competent authority. Mr. Rajiv Malhotra was ED(HR), PTC handling entire case.

	NOTE: - Any of action taken by Chairman PFS without approval of Board were never placed for post facto approval of Board. In case of any deviation to already approved policies or decision, either prior or specific post facto approval is required.
13.09.2022	[redacted] informs NRC that [redacted] wants hike in CTC but was ready to join on the remuneration already offered. There is no written or formal request from Mr. Ratnesh. NRC approves hike of CTC in favour of [redacted] Audit Committee recommends appointment of [redacted] as CFO and Rest of Board (leaving MD&CEO) approves the hike in CTC as well as appointment of [redacted] as D(F) & CFO.
16.09.2022	Amendment to appointment letter issued by Chairman, PFS confirming hike in CTC of [redacted]
20.10. 2021	[redacted] a informs through email all NRC members as well as MD&CEO and Company Secretary that *"This is for the information of the N&R Committee members only. The two WTD candidates appointed are expected to join shortly. PTC HR will ensure completion of their joining formalities and then hand over process of their orientation and also the candidates' dossiers to PFS team."*. It was clear that PFS role was to provide office space to [redacted] after his joining formalities were completed. PFS was to take no action for any documentation required for completion of Joining of Mr. Ratnesh
29.10.2021	[redacted] submits his joining report to [redacted] Chairman, PFS. [redacted] instructs. *"Accept the joining report in terms of decision of the PFS Board in 138th and 139th Board meetings."* Without completing joining formalities [redacted] and [redacted] come to cabin of MD&CEO and asks him to let [redacted] occupy position of D(F) & CFO. MD resists saying that he be sent after completion of Joining Formalities by PTC. [redacted] threatens MD and rings to all IDs as well as [redacted] stating MD was not allowing [redacted] to Join but does not tell full facts that joining formalities were not yet complete.
29.10.2021	All the three return back to PTC office and [redacted] issues an email at 13:03 hrs stating *"Dear [redacted] We welcome today* [redacted] *who has joined the PTC group family as Director (Finance &CFO) PFS. Attached scan of joining report of Shri* [redacted] *who has reported for joining today in terms of decision of the Board of Directors. Best regards."*
29.10.2021	[redacted] sends another email at 1607 hrs to MD&CEO, PFS stating, *"Further to mail earlier today and the trailing mail dtd. 20th October, the joining formalities in respect of* [redacted] *completed. The attached documents in*

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	hard copy are now available with PTC-HR. You may advise the concerned in HR team, PFS to collect the same for safe custody at their earliest convenience." *The documents attached were only "one page Joining report submitted By [redacted] and appointment letter dated 07.09.2021 and its amendment dated 16.09.2021 Issued by Chairman, PFS t[redacted]"* It is a fact PTC HR also had no other document available with them and documents supplied to PFS were all the documents as available with PTCHR. Based on these documents, PFS took advice of ASG as there were no other documents. No relieving letter from NTPC was attached. The confirmation about completion of joining formalities given by [redacted] were patently false. As informed by [redacted] in his discussions with RMC of PTC, Chairman PFS advised Mr. Ratnesh to go back and come later. [redacted] has confirmed that he had seen the relieving letter of [redacted]ssued b[redacted]and it was on lien basis. [redacted]ther kept the relieving letter in original nor its copy (either physical or electronic) and returns it to Mr. [redacted] is unheard that a person is declared as joined but all his papers related to joining are returned to that individual. It is a fraudulent act on the part o[redacted] Also Mr. [redacted]never submits the said relieving letter either physically or through email till 17th November only after he was asked by PTCHR. [redacted] company Secretary has confirmed that he had handed over all documents required for statutory compliance to Mr. Rajiv Malhotra to get the same filled and signed by [redacted] It included DIR-2 Form. PTC HR has confirmed that such documents were never sent to Mr. [redacted]s per official record and [redacted]never submitted any documents, the most important being DIR-2 Form giving his consent to act as a Director. It means [redacted]did not forward documents to [redacted]even after receiving from Mr[redacted]. Without this consent form, joining by[redacted] as Director was not allowed as per law. [redacted] was himself Director on Board of PFS and [redacted]ad also been Director on Boards of subsidiary Companies o[redacted] mentioned in his CV and thus both were aware of the law and rules by virtue of occupying or having occupied the position. As otherwise also, the person selected for Director or having acted as Director should know the law and especially when they were at such a senior position. [redacted]had committed a fraud by informing all Directors that Joining formalities in respect of [redacted] were completed by 1607 hrs on 29th October 2021. If it was so, where did all the papers disappear. Why did [redacted]say

	that formalities can be completed in reasonable window of time. It was done by [redacted] mislead the entire Board and Non-Executive Board members trusted him more than MD and [redacted] and it all led to the entire turmoil being faced by company. Mr. Rajiv Malhotra was ED(HR)n in PTC till 13th November 2021. What stopped him from getting documents collected from [redacted] least relieving letter and DIR-2 Form. The facts were known only to Mr. Rajiv Malhotra and [redacted] Thus two scenario emerges and either or both may be correct:- Scenario-I Both [redacted] and [redacted] connived and conspired not to disclose the relieving letter issued by NTPC, which was on lien, as they knew Board has approved appointment on absorption basis. In case they bring it to Board, the MD&CEO will resist and it will be difficult for Board to again take U-Turn so quickly. So, conceal the document and let Mr. [redacted] join with insufficient documents by pressurising and coercing MD&CEO. Later when it comes to notice, the blame and allegation of wrongdoing will come to [redacted] on the grounds that he overstepped responsibilities and powers delegated to him and intentionally committed the crime of allowing Mr. Ratnesh to join in contravention of Board's approval. Also Mr. Ratnesh never sought any deviation to his appointment letter and therefore management had no locus standi to bring any proposal before Board in deviation to approval already accorded by Board except to follow the decision of Board in letter and spirit. Scenario -II [redacted] was aware of all the facts and he was negligent in his duties and did not guide Mr. [redacted] submit DIR-2 Form or submit a request for relaxation in appointment letter's terms and conditions and also made no efforts to collect documents from [redacted] though Mr. Malhotra was ED(HR) of PTC till 13th November 2021. It is an undisputed fact that [redacted] was charged with responsibility to run entire recruitment process and complete joining formalities and it was his duty and responsibility to guide Mr. Ratnesh and facilitate him in joining, which [redacted] not do and as such he is the only person responsible for the issue being raised. Also, he had misled everyone by confirming on 29th October that joining formalities were complete, a patently false assertion made by Mr. Malhotra. This act of [redacted] has caused in blowing the issue out of proportion and damage to PFS and PTC in terms of reputation, capitalisation, number of hours of Board getting wasted in addition to business of PFS adversely affected. As such, action should be initiated against him as he is the person

	responsible for present crisis which is continuing for last 10 months. In case it is averred that [redacted] became director of PFS defacto or dejure, he cannot join back NTPC without resigning from PFS, which he did not do and therefore a case will have to be initiated against him as he is serving in [redacted] in a non bonafide manner and by concealing fact that he was an employee of some other organisation. Further, by concealing the relieving letter till 17th November 2021, he caused immense damage to PFS as the controversy was created and it reflected badly on integrity and honesty of [redacted]

Email communication from Mr. Rajiv Malhotra to Independent Directors and PFS

From: [redacted]india.com>
Date: Wednesday, 20 October 2021 [redacted] PM
[redacted]india.com>
Cc: Pawan Singh -PFS <pawan.[redacted]@ptcindia.com>, Vishal Goyal-PFS <vishalgoyal@ptcindia.com>
Subject: FW: Joining of Director (Operations) & Director (Finance) in PFS

Dear Sir & Ma'am

This is for the information of the N&R Committee members only. The two WTD candidates appointed are expected to join shortly. PTC HR will ensure completion of their joining formalities and then handover the process of their orientation and also the candidates' dossiers to PFS team.

With best regards

[redacted]

I – Annexure I (Chronology of meetings is submitted in respect of appointment of M[redacted])

S No	Date	Meeting of	Members present	Remarks
1	23rd December 2019	Nomination and Remuneration Committee (NRC) of PFS	• [redacted] Chairman NRC • [redacted] Member NRC • [redacted] Member NRC • [redacted] Member NRC • [redacted] Member NRC	a) It may be mentioned that Nomination and Remuneration Committee of PFS, in its meeting held on 23rd December 2019, took the strange and unprecedented decision that all the HR matters of PFS shall be dealt with the approval of Director (HR), PTC, which included, matter related to appointments, transfers, postings, promotions etc. and internal communication to employee. PFS (HR) team was to assist Director (HR), PTC in all these matters. This decision disempowered the MD & CEO and HR department of PFS. b) Subsequently, in its meeting held on 27th January 2020, the NRC made certain amendments to above. However, the MD&CEO continued to be completely disempowered by the erstwhile Chairman / Board. MD&CEO had no powers to decide on the appointments, transfers, promotions and postings at the level of functional head and one level below. In other words, the MD&CEO effectively in most situations could not

				even appoint a Manager in PFS c) NRC desired to issue advertisement by 30.06.2021. Please refer to NRC & Board meetings held on 09.03.2021 when it was decided that advertisement shall be issued by PTC resource person for the post of Director (Operations) & Director (Finance) by 31.03.2021 which PTC HR did not do.
2	21st June 2021	Nomination and Remuneration Committee (NRC) of PFS	• Sh. [redacted] Chairman NRC • [redacted] Member NRC • [redacted] Member NRC	[redacted] NRC directed that PFS, HR department has to actively co-ordinate with HR Head of PTC to complete the recruitment.
3	13th August 2021	Nomination and Remuneration Committee (NRC) of PFS	• [redacted] Chairman NRC • [redacted] Member NRC • [redacted] Member NRC • [redacted] Member NRC	Sh[redacted] HR Head PTC gave a presentation on the applications received for the post of Director (Finance) & CFO.
4	28th August 2021	Nomination and Remuneration Committee (NRC) of PFS at 5.00 PM at **Board Room, PTC India Limited**	• Sh. [redacted] Chairman NRC • [redacted] ember NRC • [redacted] ember NRC	[redacted] C recommended the name of [redacted] for the position of Director (Finance) & CFO.

			• Mrs. [redacted] Member NRC	
5	28th August 2021	Board Meeting of PFS	• Sh. [redacted] Chairman through VC from PTC office • [redacted] MD&CEO through VC from his residence • [redacted] Director through VC from PTC office • [redacted]ctor through VC from his residence • [redacted] Director through VC from PTC office • [redacted] through VC from his residence • [redacted] T, Director through VC from his residence • [redacted] Director through VC from PTC office • [redacted] Director through VC from PTC office	• Board approved the appointment of Mr. Ratnesh for the position of Director (Finance) & CFO • Board further resolved that **the appointment of Mr. Ratnesh as CFO shall be subject to approval of ensuing of Audit Committee as per provisions of SEBI Listing Regulations and other applicable laws and the proposal in this regard shall be placed to Board through Audit Committee.**
6	13th September 2021	Nomination and Remuneration Committee (NRC) of PFS at 3.00 PM	• Sh. [redacted] Nayar, Chairman NRC • [redacted] Member NRC • [redacted] Member NRC	• The NRC meeting of PFS was held on 13th September 2021 in which [redacted] HR Head PTC informed the Committee that further to the decisions taken in meeting of Board held on 28th August 2021, wherein Chairman, PFS was authorised to finalise the

			• Mrs. [redacted] Member NRC	terms of appointments, the offer letter was given to Mr. Ratnesh. Also, the proposal to enhance CTC of [redacted] was brought. • The Committee noted the terms of appointment of selected candidates and recommended to the Board as well as increase in CTC of [redacted]
7	13th September 2021	Audit Committee Meeting of PFS at 3.30 PM	• Sh. [redacted] Chariman through VC from his residence • [redacted] Member through VC from her residence • [redacted] Member through VC from PTC office	• The Audit Committee members were of the view that N&R Committee has already evaluated the compatibility of [redacted] to work as Director (Finance) & CFO of the Company. Further, the Committee members were of the view that [redacted] despite limitations will be assisted by the team of experienced professionals in PFS who have good experience of NBFC sector and also have the guidance of MD&CEO to work as Director (Finance) & CFO. • The Committee recommended to the Board, the appointment of Sh. Ratnesh as Director (Finance) & CFO.
8	13th September 2021	Board Meeting of PFS at 4.00 PM	• Sh. [redacted] hrough VC from PTC office • [redacted] MD&CEO • [redacted] Director	• [redacted] **HR Head PTC informed that Sh. Ratnesh is joining on absorption basis.** [redacted] Chairman of NRC PFS stated that when any recruitment is done, it is hard to find a

			through VC from her residence • Sh. [redacted] through VC from his residence • Sh. [redacted] Director through VC from his residence PTC office • Sh. [redacted] through VC from his residence • Sh. [redacted] T, Director through VC from his residence • [redacted] Director through VC from her office • [redacted] Director through VC from PTC office	person with 100% perfect candidature as the business dynamics keep on changing. • Board accepted all the recommendations of N&R Committee and Audit Committee and approved the appointment of [redacted] for the position of Director (Finance) & CFO. • MD&CEO had objected to the suitability of [redacted] as Director (Finance) and the Board decision recorded that, "the rest of the Board accepted all the recommendations of the N&R Committee and of the Audit Committee and approved the appointment of [redacted] as Director (Finance) & CFO".

PTC India Financial Services Ltd

VIII. Report on Corporate Governance Issues

Sr. No	Particulars	Date
1	Preliminary findings sent to management	11 October 2022
2	Response of management to Preliminary findings	18 October 2022
3	Draft report	24 October 2022
4	Response of management to Draft Report	28 October 2022
5	Meeting for discussions on Draft Report	29 October 2022
6	Final Report	04 November 2022

While issuing the draft report and final report, the responses received from PTC India Financial Services Limited (hereinafter referred to as management / PFS / Company) were considered. Changes, as required, have been incorporated for the management responses in this report.

The management response to the draft report are reproduced separately at Annexures C(1) to C(6), D(1)(a) to D(1)(f), D(2)(a) to D(2)(b), D(3)(a) to D(3)(c), D4(a) to D(4)(c) and D(5).

It maybe pertinent to point out that many of the responses of the management (for which, external professional assistance was sought without our approval by sharing our confidential preliminary findings / Draft Report with them which we consider highly unprofessional) were repetitive, critical, and harping on the point that the verification was beyond scope or beyond the period covered in the Engagement Letter (EL). Our view in the matter is that though an initial period was mentioned in the EL, we requested documents for the earlier / later period/s and have included our findings on the same to the extent these documents were made available. Governance issues were also raised in the resignation letter/s dated 19 January 2022 of the 3 independent directors.

Index for contents in Report (Page No 1 – Page No 51):

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	resignation letter/s dated 19th January 2022 (Page No 52 to Page No 89)	
D	CNK Observations on: 1. Approved Policies of the company not followed (6 points) 2. Corporate Governance Issues w.r.t. Loan Accounts (2 points) 3. Incorrect / incomplete Information shared to the Board of Directors and non-Adherence of the Directives given by the Board (3 points) 4. Possible Non-compliance of Rules & Regulations, Circulars, and guidelines of RBI (2 points)	10 – 27
D1	Response of management (including exhibits) on Draft Report on the points covered at D above (Page No 90 to Page No 122)	D(1)(a) to D(1)(f), D(2)(a) to D(2)(b), D(3)(a) to D(3)(c), D(4)(a) to D(4)(c), D(5)

Index to CNK Report for Exhibits:

Sr. No.	Particulars	Exhibit No.	Page No.
1.	Email dated 25th November 2021 from [redacted] for Independent Woman Director vacancy.	Ex-A	28
2.	Email dated 7th December 2021 from [redacted] for Meeting of NRC	Ex-B1	28
3.	Email dated 7th December 2021 from [redacted] indicating that email dated 8th December 2021 to [redacted] is as per direction of the [redacted]	Ex-B2	29
4.	Email dated 7th December 2021 from [redacted] to provide legal advice	Ex-B3	29-30
5.	Email dated 7th December 2021 from [redacted] in furtherance to the email of [redacted]	Ex-B4	31
6.	Email dated 7th December 2021 from [redacted] in furtherance to the email of [redacted]	Ex-B5	31

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Sr. No.	Particulars	Exhibit No.	Page No.
7.	Email dated 8th December 2021 from [redacted] in response of email of [redacted] proposed NRC Meeting	Ex-C1	32
8.	Email dated 8th December 2021 from [redacted] in furtherance to the email of [redacted]	Ex-C2	32
9.	Email dated 9th December 2021 from [redacted] in response to [redacted] email	Ex-D	33
10.	Email dated 10th December 2021 from [redacted] regarding proposed NRC Meeting	Ex-E1	34
11.	Response from [redacted] in reference to the letter received from Independent Directors vide email dated 10th December 2021.	Ex-E2	34
12.	Email dated 12th December 2021 from [redacted] in response to email received from [redacted]	Ex-E3	35
13.	Early warning signal given to Chairman and MD&CEO [redacted] vide email dated 12th December 2021	Ex-F1	36 – 38
14.	Email dated 12th December 2021 from [redacted] indicating that after withdrawal of [redacted] N&R Committee became dysfunctional	Ex-F2	39
15.	Email response from [redacted] dated 13th December 2021	Ex-G1	40
16.	Email dated 13th December 2021 received from [redacted] in response to the emails of [redacted] and [redacted].	Ex-G2	41
17.	Email dated 13 December 2021 for request from [redacted]	Ex-G3	42
18.	Email dated 14th December 2021 received from [redacted] in furtherance to the email of [redacted]	Ex-H	42
19.	Email dated 15th December 2021 received from [redacted] in furtherance to the email of [redacted]	Ex-I	43

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Sr. No.	Particulars	Exhibit No.	Page No.
20.	Email dated 15th December 2021 from [redacted] in response of email received from [redacted]	Ex-I1	44
21.	Email dated 17th December 2021 from [redacted] in response of email received from [redacted]	Ex-J	44
22.	Issues highlighted by the RBI and response of company	Ex-K	45 – 51

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A. Methodology followed:

- Review of Ex independent directors' resignation letter/s with respect to Corporate Governance Issues highlighted by them (as per the resignation Letter/s);

- Review of Board Minutes, Audit Committee Minutes, and video recording of selected minutes (as provided by PFS Team);

- Review of 'pst' File of Ex Company Secretary and MD & CEO (as provided by PFS Team);
  Note:
  Though 'pst' files of both email ids being used were provided (as informed all mails from 1 id were auto forwarded to the other), inspite of multiple requests, PFS team has not provided us the confirmation for entire sharing / access of the emails for both the email IDs of MD&CEO. We have relied on the information provided to us and the mail confirmation that mails are auto forwarded. Hence our comments are based on the verification of the 'pst' file/s made available. Also, an official from PFS was constantly sitting when the CS came which was very intimating to the team.

- Review of points highlighted by the current Independent Directors in the PTC RMC Report dated 23rd May 2022;

- Review of points raised by RBI, SEBI and ROC via emails and their reports;

- Drawing reference and co-relation on the issues identified by CNK on review of loan files (We have also simultaneously issued our separate report on the same);

- Review of Board approved policies;

- Review of ALCO minutes and CDL minutes of PFS;

- Review of Internal audit reports.

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B. <u>List of Minutes of meetings reviewed by CNK (video recording of meetings reviewed have been highlighted in blue)</u>

<u>Note:</u>

- Inspite of repeated requests, minutes of meetings from April 2022 to June 2022 were not made available by the company *(it was mentioned that the same are outside the scope or are not yet finalized)*;
- We also referred other minutes which we found in the PST of Ex-Company Secretary and MD & CEO, to the extent available.

Date	Board Minutes	Board Committee						
		Audit Committee	Nomination and Remuneration Committee	Risk and Management Committee	Corporate Social Responsibility Committee	Stakeholders Relationship Committee	Group of Directors Committee	Business Committee
05-02-2019				31				
26-04-2019	114	-	-					
04-05-2019	115	55	-					
11-06-2019	-	56	-					
14-06-2019				32				
20-06-2019	-	-	35					
26-06-2019	116	-	-					
01-08-2019	117	57	-					
30-08-2019	-	-	36					
13-09-2019				33				
27-09-2019	118	58	-					
09-10-2019					13			
23-10-2019	119	59	-					
06-11-2019							1	
04-12-2019							2	
18-12-2019	120	-	-					
23-12-2019	121	-	37				3	
28-12-2019	-	60	-					
23-01-2020	122	-	-	34				
27-01-2020	123	61	38					
01-02-2020							4	
14-02-2020	124	-	-					
[illegible]						5		
16-03-2020					14			
24-03-2020	125	-	-					
21-04-2020				35				
27-04-2020				36				
22-05-2020	-	62	-					
12-06-2020	-	63	-					
13-06-2020	126	-	-					
18-06-2020	-	64	-					
20-06-2020	-	-	39	37				
23-06-2020	127	-	-					
10-07-2020	-	-	40					
31-07-2020				38				
03-08-2020	-	65	-					
04-08-2020	128	-	-					
07-08-2020					15			

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Date	Board Meeting	Board Committee						
		Audit Committee	Nomination and Remuneration Committee	Risk and Management Committee	Corporate Social Responsibility Committee	Stakeholders Relationship Committee	Group of Directors Committee	Business Committee
29-08-2020				39				
07-10-2020				40				
17-10-2020								1
27-10-2020				41				
29-10-2020	129	66	-					
14-12-2020								2
19-12-2020	130	-	-					
18-01-2021				42				
28-01-2021								3
02-02-2021	-	67	-					
04-02-2021	131	-	-					
02-03-2021								4
09-03-2021	132	-	41					
23-03-2021	-	68	-					
24-03-2021					15			
25-03-2021						6		
01-04-2021				43				
17-05-2021	133	-	-					
01-06-2021				44				
07-06-2021	-	69	-					
08-06-2021	134	-	-					
09-06-2021	-	70	-					
21-06-2021	135	-	42	45				
17-07-2021	-	-	43					
19-07-2021	-	71	-					
29-07-2021	136	-	-					
30-07-2021	-	72	-					
31-07-2021				46				
02-08-2021								5
04-08-2021	-	73	-					
05-08-2021	137	-	-					
13-08-2021	-	-	44					
28-08-2021	138	-	45					
31-08-2021						7		
13-09-2021	139	74	46					
20-09-2021								6
29-09-2021	140	-	-					
12-10-2021	141	-	-					
08-11-2021	142	75	-					
09-11-2021	143	76	-					
26-04-2022	144	-	-					
28-04-2022	-	-	47					
05-05-2022	-	-	48					
16-05-2022	-	-	49					

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C. Summary of Governance issues highlighted by 3 ex-Independent Directors in their resignation letter dated 19th January 2022

Independent Directors in their resignation letter dated 19th January 2022 highlighted the various corporate governance issues that were going on in the company which are stated below:

1) Issues in respect of appointment of [redacted] as Whole-Time Director. (We have also simultaneously issued our separate report on the same);

2) Issues regarding [redacted] loan. (We have also simultaneously issued our separate report on the same, also refer Point no. D2 of CNK Observations below);

3) Unilateral change in conditions of loan, without prior approval of the Board (we have also simultaneously issued our separate report on Loan Accounts, also refer point no. D2 of CNK Observations below);

4) No action on corporate governance issues highlighted by [redacted] ex-Chairman in the 137th Board Meeting held on 5th August 2021;

CNK Observations on Summary of Governance issues highlighted by 3 ex-Independent Directors in their resignation letter dated 19th January 2022

The concerns mentioned by the Independent Directors and in their resignation letters and [redacted] Ex- chairman in 137th Board meeting dated 05 August 2021 are serious corporate governance issues. It seems that the management was unilaterally taking major decisions in the functioning of the company and by-passing the DOA as well the directions of the Board. The same can also be corroborated from our report on the same. (Also refer point 1 of CNK observations below)
The Board has not concluded that matter in the meeting after hearing to MD&CEO as it is clear from the conclusion of the minutes is mentioned as under:

"The Chairman reiterated that it is now upto the Board to decide further course of action on these and other matters of this nature, and the Board may deliberate on the issues in this or any future meeting of the Board."

It is evident from the above minutes that the Board/Chairman was not satisfied with the replies of MD & CEO.

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5) Independent directors' communication blatantly ignored (Refer point no. D3 of CNK Observations in this report);

6) Skewed or no information shared to the Board (Refer Point no. D3 of CNK Observations in this report).

***Note:** All responses (including exhibits) of the management on CNK Observations on the Draft report for the above are reproduced in Annexure C(1) to C(6).*

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D. CNK Observations regarding the Corporate Governance

Based on the review of the reports and documents mentioned in A above, our observations on the Corporate Governance (CG) matters is as under:

1. Approved policies of the company not followed

a) Policy regarding Loan documentation not routed through legal functional head

Background

- In the 129th Board Meeting dated 29th October 2020 it was discussed at Agenda Item No. 129.10, *"On a query regarding the functioning of the legal department, the Board was informed that litigation matters are handled by the Company Secretary and loan documentation is handled by a different officer of the Company. On a further query, it was clarified that the work of the said officer was earlier supervised by the Company Secretary informally;*
- *The Board expressed the view that all matters related to legal may be handled by the Company Secretary, who is also the Head of Legal Department in the Company, and the other officer may have a formal reporting to him. MD&CEO stated that a senior officer was required in the Legal Department, and he would discuss the same with Nominee Director of PTC separately."*
- In our understanding, the definition of the functional head given in the policy of delegation of power approved by the Board is as under:

1.	Functional Head	Function Head of respective unit responsible for working of unit under the supervision and control of the Head of Department. The Functional Head shall be the senior officer of the unit not less than M 2 level *(in case head of unit is not at M 2 level then Director may designate an officer of not less than G 14 to be the functional head of that unit)*
2.	Head of the Department	Whole-Time Directors
3	MD & CEO	Managing Director & Chief Executive Officer
4	M4	Whole Time Director
5	M3	Officers falling under Grades G 18, G19, G 20 and G 21
6	M2	Officers falling under Grades G 15, G 16 and G 17

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Based on the above, it seems that the functional head is not a Director at xM4 level but below M4 level. Further, being a corporate there is no informal routing of the files to Company Secretary & Head Legal.

Below is the extract of 129th Board meeting held on 29 October 2020.

2031 Item No. 129.10 Status of NPA accounts as on 30th September 2020 - Ref.

The Board was informed about the status of NPA accounts as per details mentioned in the agenda note. After discussion, the Board noted the status of NPA accounts as per details mentioned in the agenda note.
On a query regarding the functioning of the legal department, the Board was informed that litigation matters are handled by the Company Secretary and loan documentation is handled by a different officer of the Company. On a further query, it was clarified that the work of the said officer was earlier supervised by the Company Secretary informally.

The Board expressed the view that all matters related to legal may be handled by the Company Secretary, who is also the Head of Legal Department in the Company, and the other officer may have a formal reporting to him. MD&CEO stated that a senior officer was required in the Legal Department and he would discuss the same with Nominee Director of PTC separately.

CNK Comments

- **Despite the Board direction as above, legal files do not seem to have been routed through the legal functional head but are approved by MD & CEO. As per DOA, security confirmation is to be given by the functional head (who was Company Secretary & Head Legal in case legal department) but all the disbursements were made without the Confirmation of the security by the legal functional head. Further this is also the violation of Board specific directives as given in 129th Board Meeting.**

- **The Board minutes were very clear that the Board desired that legal files to be routed through the Company Secretary & Head Legal.**

- **Given below is an extract of a document which clearly states that [redacted] was the CS and legal head;**

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Draft MoM (CDL) for consideration and approval please.

[redacted]

PTC India Financial Services Limited

[illegible] (CDL)

Minutes of 29th CDL Meeting

[illegible] (through Video Conference)

Members Present:
Permanent Members:

[redacted]

Members by Invitations

Present:

[redacted]

[illegible] and the way forward as per the discussions is as follows:

S.N.	Borrower	Current Status and Matter Deliberated	Way Forward
1.	[redacted] Contractor [illegible] the books of PFS is Rs 2.65 Crs) Total provisioning and impairment reserve made as on 30th June 2021 - Rs. 0.03 Crs and Rs 2.63 Crs [illegible]	[illegible] [redacted] [illegible] Ongoing / Proposed Resolution Plan: The resolution [illegible] [illegible]	[illegible] was decided that PFS to follow [illegible] from the remaining lenders and also expedite action for physical possession and sale of balance land parcels.

b) Alteration in documents

- On 19th February 2021, a draft response to the query raised by the committee of two independent directors of NSL was prepared and addressed to Mrs. Pravin Tripathi for her email dated 19th February 2021 where she raised queries and concerns and asked for clarifications. An internal note for the submission of documents to the committee was put up for approval of competent authority by the nodal officer and it should be signed by the legal head of the company.

Given below is the extract of the Approval Note of NSL:

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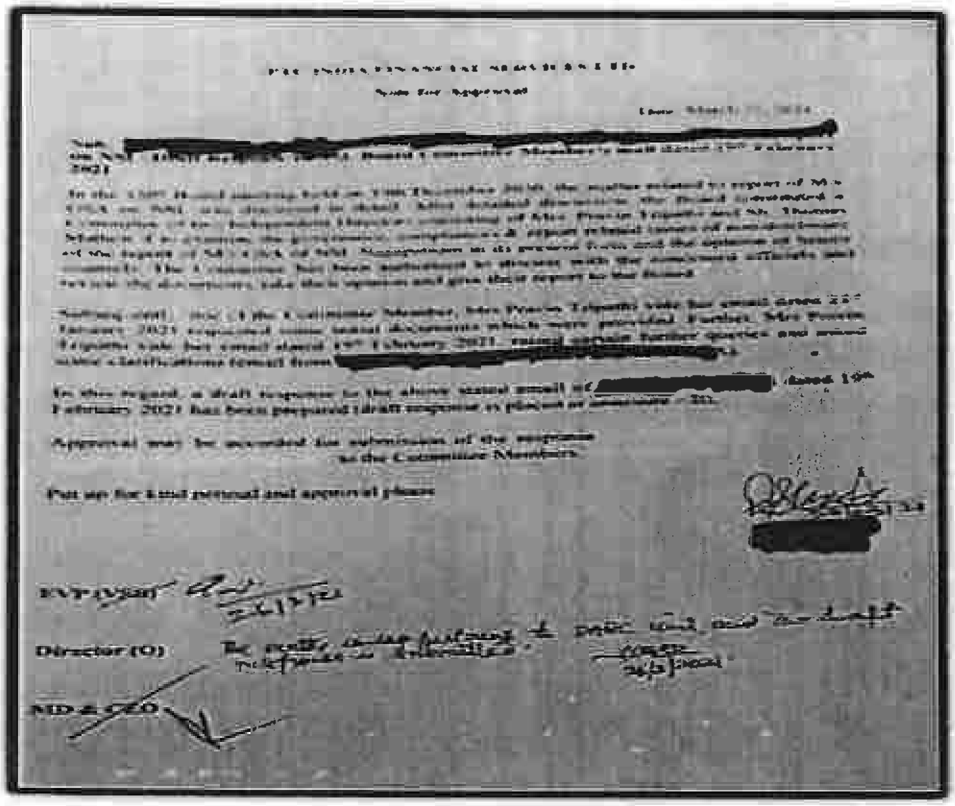

CNK Comments

As per the copy of the note provided to us, it seems that the name of company secretary was subsequently removed.

c) Minutes of Committee of Directors for Loan Recovery (CDL) not presented to the Board

- Committee of Directors for Loan Recovery (CDL) is an internal committee of the company and all the crucial details regarding the Loans recovery, Stress Loan Accounts, EWS loan accounts, NPA which contains status of loan accounts and corrective steps are discussed;

- During our audit period i.e., from April 2019 to March 2022, 22 CDL Meetings were held and minutes recorded but the management had not shared any details to the Board regarding the discussions held in CDL meetings.

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CNK Comments

- **Although CDL is an internal committee, minutes thereof should be presented to Board or RMC so that they may take note of the same. We believe that presenting the same to be Board would have given better insights to the Board on the loan recovery process;**

- **As we understand, meetings of the CDL were held in the last week of the quarter. It was also observed that agenda was circulated as status of the project and no 'action taken report' on discussion of the previous meeting was placed to the CDL.**

d) **Debt Service Reserve Account (DSRA) invoked without permission of co lender**

- It was observed PFS has withdrawn funds from DSRA FD to settle the over-dues and the same would be replenished later;
- In the case of [redacted] the Board in its 127th Board Meeting dated 23rd June 2020 had specifically enquired whether the approval of co-lender was obtained before the extraction of funds from DSRA of [redacted] as this project is under consortium lending. The company responded that since the time involved was short, the same had not been done. The Board was informed that such requirements of permission from co-lender shall be examined, and necessary actions shall also be taken accordingly, and status will be informed to the Board in the next meeting;
- In 128th Board Meeting dated 4th August 2020, the Board was informed about the action taken with respect to extraction of funds from DSRA of [redacted] On enquiry about the requirement of consortium agreement, the Board was informed that as per the terms of the loan agreement, prior approval of the co-lender was required, while in the instant case PFS had informed subsequently to the co-lender. The Board also enquired about the response of the co-lender on the intimation sent by the Company. The Board was informed that reply of the PFC is yet to be received. The Board desired the response of co-lender shall also be placed before the Board. The Board further guided that it may be ensured that in future any such actions shall be taken on the lines of the consortium agreements only.

CNK Comments

The company has withdrawn the amount of DSRA from a loan which was funded in the consortium lending. This unilateral withdrawal without the consent and permission of Co-lenders is a violation of the signed consortium agreement by the co-lender. From the verification of records, we are unable to ascertain whether any revert from co-lenders was obtained and placed to the Board.

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e) Issues related to Asset Liability Management Committee (ALCO) agenda notes and approved minutes

- Asset Liability Management Committee (ALCO) is an internal committee of the company wherein all the assets and liabilities mismatch and other related other related aspects to be monitored by ALCO. In terms of RBI circular, this is an important Committee;
- In our verification, it was observed that during FY 2021-22, ALCO meetings were not held on time, as defined in the ALCO Policy. Minutes of the ALCO meetings were either not approved or were approved very late by MD&CEO;
- Though requested, the relevant signed minutes were not made available to us for our review.

CNK Comments

The company does not seem to have taken the functioning of the ALCO Committee very seriously and considered its recommendations for disbursements. To illustrate, it was observed in the ALCO meeting held on 30th March 2022 that when disbursement was being made through utilization of HQLA and not from utilization of sanctioned limits of banks and financial institutions, there was no appropriate intimation to the Board.

f) Issues related to PFS Benchmark Rate

- RBI, in its Risk Assessment Report, pointed out that the company was lending at a higher rate. Around Rs 2,000 crores in 23 loan assets were prepaid by the borrowers in FY 2020-21. Due to the high cost of lending, it was facing tough competition from banks and big infrastructure finance companies. PFS replies to RBI and reduces the lending rate;

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Given below is the extract of the risk assessment report.

1.6	Business Model	
	i) The company had documented business model and the business strategy was aligned with business model. The company has been diversifying its core business of financing of Power Generation (conventional) Projects to Renewable Energy Projects to sustainable Infrastructure Projects viz., Hybrid Annuity Mode (HAM) Projects, Roads, Ports, Transmission, Water Sewage Projects, Drinking Water Supply, Solid Waste Management, & other Infrastructure logistics projects. The company was initially investing in Thermal and Hydro power projects by way of term/bridge loans. Most of its loans to thermal and hydro power projects turned NPAs, thus the company reduced its lending to these projects since 2014-15.	i) The same is facts as mentioned by RBI.
	ii) The company was lending at a comparatively higher interest rate. Around ₹2,000 crore in 23 loan assets were prepaid by the borrowers in FY 2020-21. Due to high cost of lending, it was facing tough competition from banks and big infrastructure finance companies.	ii) Borrowing program of PFS is rated A+ by rating agencies and had a comparative higher cost of borrowing as compare to Banks and other peer IFCs. The project financed by PFS post COD gets lower risk weight and hence generally get refinanced by higher rated banks and other source of financing at very competitive rate which NBFCs can not match.

CNK Comments

- **It seems that PFS is not transparent in its approach of charging interest rates. PFS was maintaining higher PFSBR (i.e., Benchmark rate) than it should have. This resulted in higher prepayments resulting in shrinking loan book size and also loss of revenue;**

2. <u>Corporate Governance Issues w.r.t. Loan Accounts</u>

As can be seen from our report on the loan accounts there are several matters where good governance has been bypassed.

Given below are instances of 2 such Loan account which have also been highlighted by the Independent Directors in their resignation letter dated 19 January 2022.

a) [redacted]

Background
The background of the [redacted] account had already been explained in the report on Loan Accounts Refer Point I – (Page No 7 to Page No 23)

CNK Comments

- **Forensic Audit report for [redacted] received on 26 November 2018 was disclosed to the Board of Directors / Committee in the Business Committee held on 16 December 2020 i.e., after a lag of more than 2 years. (Refer our report on Loan Accounts – point H);**
- **The aforesaid forensic audit report contains several adverse observations**

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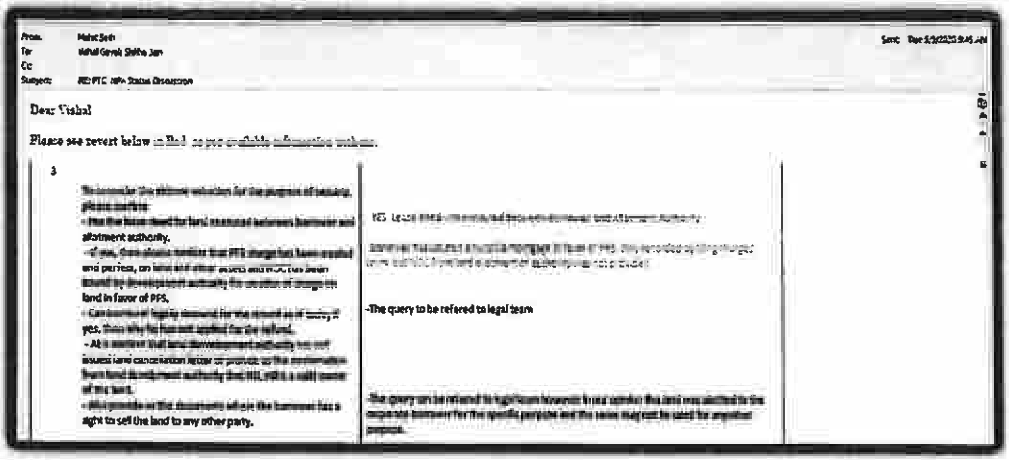
including the diversion of funds. However, the management tried to justify the report as inconclusive, and no action seems to have been taken against the borrower and promoter nor seems to have informed to RBI upon receipt of FAR. Apparently, after a time gap and based on directions of the Board and Audit Committee PFS reported the matter to RBI on 12 August 2021 and physical copies were delivered on 13th August 2021;

- **For the IBC proceedings, at the Hon'ble Supreme Court, the Company sought adjournments apparently without any Board authorization. PFS agreed for final hearing only when Supreme Court in the month of December 2021 has decided that either they will hear the matter or dismiss the application (Refer our report on Loan Accounts – point F);**

- **The Board had already expressed concerns about the apparent weaknesses in internal controls and that the SOPs be reviewed as part of the Internal Audit in the 140th Board Meeting dated 29 September 2021. Despite the same, even after the period of six months the management did not bring any agenda to comply with the above;**

- **It was also observed that the main security of the loan which is the project land mortgaged to PFS was not legally enforceable as the NOC of the state government authorities which is required as per the leased deed has not been obtained by PFS. (Refer our report on Loan Accounts – point J);**
  Given below is the extract of the mail of AVP (Legal) where the mortgage has been accepted without NOC;



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[illegible] purpose.

[redacted]

PTC India Financial Services Limited

b) [redacted]

The background of the [redacted] loan account had already been explained in the report of loan account. Refer Point III (Page No 28 to Page No 35).

CNK Comments

<u>Change in the condition without approval of the Board</u>

- **As per the Board approved condition, the Borrower should have received extension of time from NHAI which should result in extension in commissioning on or before 31st July 2021, which was a pre-disbursement condition as per approved Board condition while in the loan agreement same was differently captured in a way that the condition has lost its intent. It was mentioned in the loan agreement that the borrower should receive the permission from NHAI for commissioning on or before 31st July 2021 which means the permission of commissioning can be obtained upto 31st July 2021 which as per the original condition to be received before the disbursements (Refer report of loan accounts-Point A);**

<u>Non-reporting of the action taken on the decision of the Board taken in 140th Board Meeting</u>

- **The Board in its 140th Meeting held on 29 September 2021 decided that management may bring the complete details to the Board by 31 October 2021 (Refer Point B of [redacted] from loan report);**

- **As per PFS practice and the earlier Board decisions, agenda note on the any change in the board approved condition is required to be placed to the Board on quarterly basis. However, no such reporting of the matter was placed to the Board;**

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- **In 140th Board Meeting, "the Board further desired that a compliance certificate by any one of KMPs on the quarterly basis duly certifying whether all the conditions approved by the Board (related to the sanction) are captured in the sanction letter and loan agreement(s) be placed to the Board. Action on the same was taken almost 5 months later in February 2022 (which seems to be after the resignation of the 3 independent directors).**

- **Given below is the extract of the email:**

[illegible] [redacted]

Subject: KMP certification

Sir

As desired, [illegible]

PTC India Financial Services Ltd.

Note (Over Email)

27th Feb, 2022

In pursuant to an approval note of legal department dated [illegible] Feb, 2022, the approving authority (MD&CEO) has approved the said note with remarks "[illegible] Direction."

In pursuant to such remarks, to our understanding MD&CEO may be referring to the directions of the 140th Board meeting (meeting dated: 29th Sept, 2021) extract is given below:

In pursuant to an approval note of Legal department dated 17th Feb, 2022, the approving authority (MD&CEO) has approved the said note with remarks "further a KMP may be suggested as per Board Direction."

In pursuant to such remarks, to our understanding MD&CEO may be referring to the directions of the 140th Board meeting (meeting dated: 29th Sept, 2021) extract is given below:

"The Board further desired that a compliance certificate by any one of KMPs on the quarterly basis duly certifying whether all the conditions approved by the Board (related to the sanction) are captured in the sanction letter and loan agreement(s)be placed to the Board. The Board further desired that the Internal Auditor shall [illegible] conditions."

Based on above direction of the Board, to our understanding the requirement is to seek an independent compliance certificate from any of the KMP of PFS on confirming that the terms of Board (including any modification of any terms as per DOP) approvals are captured in sanction letter and in Loan Agreement, [illegible] Such KMP shall independently review and provide a certificate as directed by Board on quarterly basis.

Further, in all future cases, note for execution of Loan Agreement shall be put up to the Competent Authority along with confirmation from KMP with regard to terms of Board (including any modification of any terms as per DOP) are captured in sanction letter and in Loan Agreement and at the end of the quarter, KMP shall issue a compliance certificate to the Board for all loan agreement executed during the quarter and this process shall continue till Board desire such certification from the KMP.

MD&CEO is requested to nominate a KMP in above regard, inline with direction of the 140th Board Meeting.

From: Mohit Seth [redacted]
Sent: 03 March 2022 15:14
To: [redacted]
Cc: [redacted]
Subject: FW: KMP certification

Dear Animesh

Please see below email of MD sir, may please inform the concern KMP and let us know the requirement of documents

Best Regards,
[redacted]
[illegible] Building, [illegible] New Delhi 110066 (India)
M: +91 [illegible] | Dir: +91 11 2673 7417 | Fax: +91 11 [illegible] | [redacted]

PTC India Financial Services Limited
[illegible]

From: [redacted]
Sent: Wednesday, March 2, 2022 2:49 PM
[redacted]
Subject: Fw: KMP certification

OK
[redacted]

From: [redacted]
Sent: [illegible]
Subject: [illegible]

[redacted]

[illegible] Mohit Seth [redacted]

[redacted]

3. <u>Incorrect / incomplete information shared to the Board of Directors and non-Adherence of the Directives given by the Board</u>

   a) **No process initiated for confirmation by internal auditors for compliance on loan related matters.**

   In 131st Board Meeting dated 4th February 2021 the Chairman had asked for Internal Auditor Confirmation related to Loan matters which are presented to Board of Directors. Further, in the same meeting, the Board had directed that an Independent Body should also investigate these matters and give compliance to the Audit Committee, to the Board and to MD.

CNK Comments:

From our verification, we are unable to find any agenda related to the confirmation from the Internal auditors with respect to matter that is presented to the board or Audit Committee (Reference Meeting 131 at 28.32 minutes) and the same is not recorded in the minutes.

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b) Delays by management in providing information to Board

- **On 19th February 2021 [redacted] sent a letter along with a questionnaire related to [redacted] and other matters to get more information for finalizing report. The reply given by the MD and CEO that they all were busy in some another matters and replies would be given shortly but till 9th March 2021 no such replies were provided;**

From: [redacted]
Sent: [redacted] 2021, 16:15
To: [redacted]
Subject: Fwd: [redacted] constituted Committee - NSL Nagapattinam case -

[redacted] from my iPhone

Begin forwarded message:

From: [redacted]
Date: 19 February 2021 at [redacted]
To: [redacted]
Cc: [redacted]
Subject: Board constituted Committee [redacted]

Dear [redacted]
Reference the draft minutes(item130.3),the Committee received most of the relevant documents.On going through the documents , the members felt that certain key aspects need further clarification. The points on which the Committee needs feedback from you and your team are listed below.We will be grateful if you could provide us your response on each of the questions in a week's time.

1. How many Forensic Audit Reports (FAR) were there in PFS in the past and were they reported to the Risk committee,Board and the RBI ?
2. Does the FAR in the case of [redacted] establish fraud or suspicion of fraudulent activities?
3. What is the view of PFS on the'Conclusion' and 'Suggestions'in the FAR ?
4. If the FAR was considered to be inconclusive, why was it accepted and further clarifications or fresh report not sought for?
5. Who is the Competent Authority to decide that the FAR is inconclusive and not report to the Board and RBI ?
6. Was the non-disclosure of the FAR a conscious decision and at what level it was thus decided ?
7. Was the FAR shared with the Internal and External Auditors and if yes,what were their views ?
8. What are the regulatory compliances required in case of fraud or suspicion of fraud?
9. What actions were taken on the serious issues pointed out and the suggestions given in the FAR?
10. As per good corporate governance how PFS would deal with such issues and FARs in future?

Request again to revert in a weeks time.

Thanks and regards.
[redacted]

- In 132nd Board Meeting held on 9th March 2021, at 23 minutes recording, [redacted] informed the Board that internal committee for [redacted] was formed on 19th December 2020 and thereafter they did not hear anything, and no draft minutes came so they were not sure what is happening;
- The Chairman asked why minutes were delayed and whether it is conscious delay as he received minutes after 30 days;
- In our verification, it was seen that the minutes of the 138th Board Meeting held on 28th August 2021, 139th Board Meeting held on 13th September 2021, 140th Board Meeting held on 29th September 2021 were confirmed only on 9th November 2021;
- In 140th held on 29th September 2021 [redacted] had questioned why the management has not discussed the RBI inspection report in the earlier years to which [redacted] had said that *"let's not bring*

out this issue, if we will discuss the issues here, there are so many governance issues are going on and this was also the part of the governance issue".

CNK Comments

As can be seen from the above, the management has time and again delayed in sharing important information to the Board.

c) Communication of Independent Directors regarding N&R Committee ignored

- The Independent Directors on the Board of PFS and the Chairman N&R Committee [redacted] had repeatedly requested convening of the meeting of the N&R Committee for the appointment of one women ID for which the vacancy arose after completion of tenure of [redacted] on 14th October 2021 and for the issues of WTDs;
- But his multiple requested were not acceded / responded by neither [redacted] MD&CEO) nor by [redacted] (Chairman);
- The meeting of the N&R Committee called for 10th December 2021, by [redacted] was rescheduled for next week on the request of [redacted] (the meeting was finally not held as the nomination of the candidate was withdrawn);
- On 12th December 2021, Company Secretary emailed as an early warning signal to [redacted] and [redacted] regarding the status of the non-compliances which can happen in future if the NRC meeting will not be held timely. **Refer Exhibits from Ex-A to Ex-J**

CNK Comments
It seems that there were deliberate delays in holding the N&R Committee meetings inspite of a reminder by the Company Secretary.

4. <u>Possible Non-compliance of Rules & Regulations, Circulars, and guidelines of RBI</u>

a) Appointment of nominee directors

- PTC India Ltd. has nominated 2 directors as their nominees on Board of PFS. Accordingly, Board of PFS vide resolution by circulation passed on 8th November 2021 has appointed them as Nominee Directors of PTC on the board of PFS. Board Constitution on 8th November 2021 prior to approval of the resolution by circulation;

Category	Number
Whole Time Director	1
Independent Director	4
Nominee Director	1
[redacted] was part of Board as circular resolution was shared	1

- **Requirement as per RBI**
  In terms of RBI Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit Taking Company and Deposit taking Company (Reserve Bank) Directions, 2016- Section III (Governance Issues), an applicable NBFC, shall require prior written permission of the Bank for the following:
  Any change in the management of the applicable NBFC which results in change in more than 30 percent of the directors, excluding independent directors. Provided that prior, approval shall not be required in case of directors who got re-elected on retirement by rotation.

  CNK Comments

- **Since at the time of approval by the Board, there was only two non-independent directors, appointment of 2 nominee directors would lead to change in more than 30% of directors and hence require prior written permission of the RBI.**

- **However, it seems that no such permission was sought by the Company from RBI.**

b) Issues highlighted by the RBI not closed:

RBI vide their Inspection report, Risk Assessment report and supervisory report for the FY 2019-20, raised various concerns related to corporate governance issues. Some instances of the same are: **Also refer Exhibit Ex-K**

a) The company needs to revisit its fraud risk management system for early detection of potential frauds and monitoring existing fraud cases;
b) No IS audit was conducted in the year 2019-20;
c) The company shall initiate steps with approval of its Board to:
  i. Bring down its Gross and Net NPAs.
  ii. bring down credit concentration (group) within the prescribed limits;
  iii. Introduce system driven classification of NPAs on an ongoing basis.
d) The company was governed by a Board of Directors. The Deed of Covenants as required in terms of Para 72(1)(iii) "Fit and Proper

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Criteria" of RBI Master Direction issued vide DNBR. PD. 008/ 03.10.119 / 2016-17 dated September 1, 2016 was not available for [redacted], Nominee Director;

e) *The company was carrying out stress testing, however, the Liquidity Ratio of the company continued to be low at 0.60 as on DPI. The Liquidity ratio was 0.34 as on DLI;*

f) *From The profile of the NPA. The reported gross NPA and net NPA as per audited annual financial as on DPI were 8.79% and 4.69%, respectively. In comparison, it was 5.98% and 3.11% as on DLI. The quality of the loan portfolio deteriorated from the previous year. Out of 11 NPA accounts, six were from coal mining projects and two Hydro projects and one each from Gas, corporate and Bio-Mass. The company had written off six accounts during the year. The company had sold one account to ARC; three accounts were settled under OTS, one account resolution plan approved by NCLT and one account referred for liquidation;*

g) *IRAC norms: Prudential norms relating to income recognition, asset classification and provisioning;*

h) *The Group CRO who was also ED of PTC India Limited (PTC) working in PTC group since May, 2013, was part of [redacted] from 2008 to 2013. Before joining Athena group, he was also working in PTC India Limited from August 01, 1999 to May 01, 2007. PTC India Financial Services Limited had sanctioned a loan of ₹200 crore to [redacted] on March 01, 2011 and additional facility of ₹51 crore on March 16, 2016, when the CRO had joined back PTC India Limited. The account had turned NPA in 2018;*

i) *The Risk management approach in PFS was aligned with the Group Risk Management Policy of PTC, which defined the risk appetite and other aspects including the risk management organization for PTC and its subsidiaries). The Gr. CRO for the PTC group, was an invitee to the Risk Management Committee meetings of PFS and he was the special invitee to all Board Meetings of PFS, since late 2014. The CRO and the risk management team of PFS worked with the Gr.CRO of PTC for risk assessment, methodologies and management. The independence of the functioning of the Risk Management Committee of PFS could not be ascertained due to the above;*

j) *The CRO of PFS was accountable to the Group CRO for the preparation of the Risk reports. The risk reports were vetted by the Gr. CRO of PTC, before their submission to the MD & CEO of PFS. This was not in terms of para 2(c) of the RBI/2018-19/184 DNBR(PD) CC.No.099/03.10.001/2018-19 dated May 16, 2019;*

k) *The Board in its meeting held on June 23, 2020, decided to form a "Business Committee" by merging the following Committees/Gr. of Directors:(a)Group of Directors for Policy review (b)Committee of Directors for Issuance of Bonds (c)Investment Committee (for sanction of financial assistance upto Rs. 100 crores) (d)Group of Directors to consider the Settlement Proposals (e)Group of Directors for Capital*

Raising and Strategy (f)Group of Directors for Business Plan and Strategy. The composition of the "Business Committee" was as under:

1	*Whole Time Director on PTC India Ltd.(PTC) and nominee Director on PFS*
2	*Independent Director on PTC*
3	*Independent Director on the Board of PFS*
4	*ED of PTC India Ltd. & Gr. CRO for PTC group and Nominee Director in PFS*

The independence of the functioning of the Business Committee could not be ascertained as the Chairman of the Committee was also the Whole Time Director on PTC India Ltd;

l) The minutes of the 37th and 38th meetings of the Nomination and Remuneration Committee (December 23, 2019 and January 27, 2020) were approved by the Board of Directors in its meeting held on June 23, 2020, wherein it was decided that—
   (a) All the appointments for PFS shall be done with prior approval of Director (HR), PTC India Limited except that the management may prepare the manpower plan and the same may be placed for approval of the Committee and the Board. Once the same is approved, the appointments may be made as per Group HR policy.
   (b) The issue related to transfer, posting, promotion at the level of functional head and one level below that would be done with prior intimation to Director (HR), PTC India Limited.
   (c) For any communication related to policy matters including potential PTC divestment may be made only after prior intimation to Director (HR), PTC.

The reason for the above decision was mentioned as PTC India Limited was exploring the possibility for sale of its stake in PFS, therefore, till a binding offer was received by PTC and a prospective buyer is identified, HR matters of PFS need to be carried in consultation/ approval of PTC.Due to the above Arm's length relationship between PTC India Ltd. and PFS was not ensured in terms of section 188(1) of Company Act, 2013

CNK Comments

In our verification of the communication between PFS and RBI, we have not come across any communication for the final closure of the aforesaid issues.

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c) Implementation of RBIA Framework

On 3rd February 2021, RBI had mandated RBIA framework for following Non-Banking Financial Companies (NBFCs) and Primary (Urban) Co-operative Banks (UCBs):

a) All deposit taking NBFCs, irrespective of their size;
b) All Non-deposit taking NBFCs (including Core Investment Companies) with asset size of ₹5,000 crore and above; and
c) All UCBs having asset size of ₹500 crore and above.

CNK Comments

PFS had required to implement RBIA framework but as per the data and information provided to us, it seems that PFS had not implemented the RBIA till 31st March 2022 which is a violation of RBI circular.

5. Non-compliant manner in using scanned Signatures for signing the documents (as per Information Technology Act, 2000)

- In the Internal Audit Report of Q2 for FY 2021-22, Internal auditor has mentioned that the PFS had used the scanned signatures for signing the following documents:
  a) FMR 2 & 3 (Fraud classification & reporting) submitted to RBI for the period Q2 FY 21-22.
  b) No dues certificate issued to the borrowers by the monitoring team.
  c) Modifications letters issued by appraisal team.

Given below is the extract of the email and internal audit report.


Internal Audit Report

[redacted]

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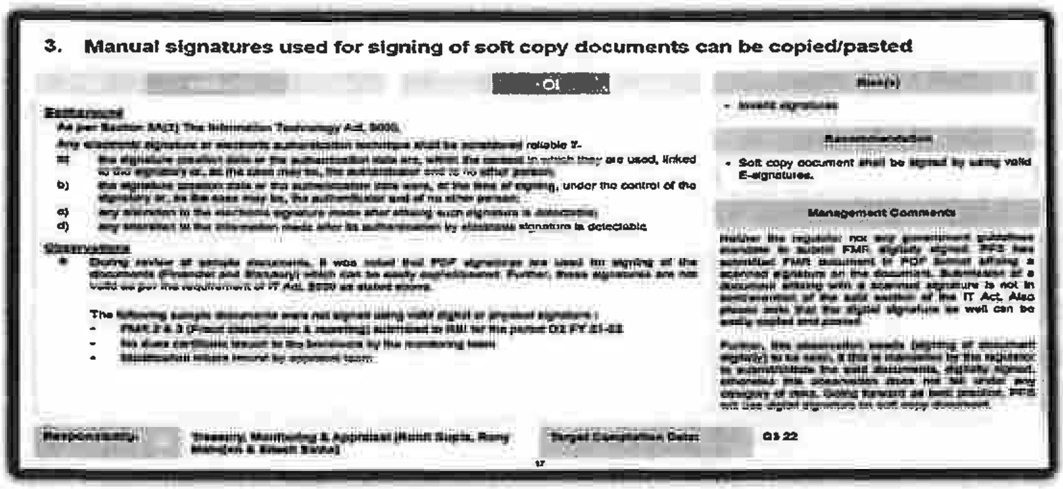

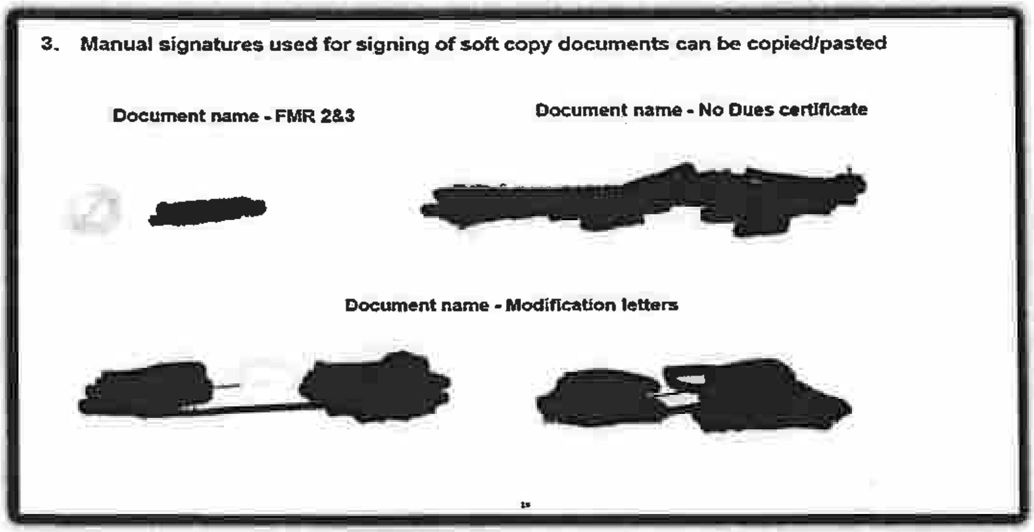

CNK Comments

By using scanned signatures, the company violates the compliance of the Information Technology Act, 2000 whereby the document authenticity is not valid and that in future, the concerned personnel would not take responsibility for the same. It also seems from the email that the CFO has tried to convince the internal auditor not to include the point in their report.

Note: All responses (including exhibits) of the management on CNK Observations on the Draft report for the above are reproduced in Annexure D(1)(a) to D(1)(f), D(2)(a) to D(2)(b), D(3)(a) to D(3)(c), D4(a) to D(4)(c) and D(5)

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Exhibits of Corporate Governance Issues in PTC India Financial Services Ltd

Exhibit Ex-A- Email dated 25th November 2021 from [redacted] for Independent Woman Director vacancy.

From:
Sent:
To:
Subject: [redacted] vacancy of Independent Woman Director

---------- Forwarded message ---------
From: [redacted]
Subject: [redacted] Woman Director
To:
Cc: [redacted]

Dear all

As was discussed in the last Board Meeting of PFS, consequent of completion of tenure [redacted] (w.e.f. 14th October, 2021), PFS is required to appoint One Independent Woman Director within a period of 3 months from the above vacancy in terms of the provisions of SEBI Listing Regulations.

In order to comply with the above said requirement, it was requested that the Board Members suggest suitable names for consideration of the the NR Committe whose recommendations need to be put upto the Board

Not appointing the Woman Independent Director within the statutory time frame could invite strictures and penalty from SEBI

We therefore need to take immediate action and I propose that we have NR committee meeting by 1st week of December 21

I request MD and Company secretary to organize this

The Board members may to kindly suggest the names to the N&R Committee.

Regards

Exhibit Ex-B1- Email dated 7th December 2021 from Mr. Santosh Nayar for Meeting of NRC

From: [redacted]
Sent: Tuesday, December 7, 2021 10:06 AM
To: [redacted]
Cc: [redacted]
Subject:

[redacted]

Sub: Meeting of the Nomination & Remuneration Committee- PFS

A Meeting of the Nomination & Remuneration Committee of PFS is being scheduled on Friday, 10th December 2021 at 04:00 p.m.

Kindly arrange the necessary video-conferencing facility for the same and necessary agenda from the management (if any) may also be circulated in advance.
Regards

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Exhibit Ex-B2 : Email dated 7th December 2021 fro[redacted] indicating that email dated 8th December 2021 to [redacted] is as per direction of the Chairman and MD&CEO

From: [redacted]
Sent: [redacted] 2021 13:50
To: [redacted]
Cc: [redacted]
Subject: RE[redacted]

Sir,

As desired, with reference to the trailing e-mail to [redacted] Chairman N&R Committee, please find following draft e-mail to be sent to him -

"This has reference to the e-mail sent by you today to the Company Secretary, regarding proposed meeting of NRC to be scheduled at a particular date and time. In the said e-mail there is no agenda attached for the meeting.

We request you that the proposal for scheduling any committee meeting may be finalized in consultation with the Chairman, PFS and Management of the company as the agenda is required to be prepared and proposed by the PFS Management prior to notification of the meeting.

Chairman has advised to undersigned forward your e-mail to MD & CEO, PFS so that necessary agenda can be prepared for the NRC meeting. He also desired the meeting of NRC may be convened by giving the required notice and approved agenda as per statutory provisions.

This is as per direction of the competent authority."

Submitted for your kind approval.

Regards

[redacted] Secretary

Exhibit Ex-B3- Email dated 7th December 2021 from Mr. Kamlesh Vikamsey to provide legal advice

From: [redacted]
Sent: 07 December 2021 12:[redacted]
To: [redacted]
Cc: [redacted]
Subject: Letter from Independent [redacted] Directors to MD
Attachments: PFS Letter from Independent Directors to MD.pdf

Dear [redacted]
Please find attached letter dated 7th December 2021 from [redacted] myself, Independent Directors of the Company.
Please do the needful in this matter at your earliest and as mentioned in the letter not later than 10th December 2021.
Please acknowledge receipt of this email.

PS: Please note the change in my email ID to [redacted]

Thanks & regards,

[redacted]
Partner

[redacted]

[illegible] Tower, Level 19, [redacted] Marg, Elphinstone Road, Mumbai 400013, INDIA
T: +91 22 [illegible] W[redacted]

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[illegible]
Vikamsey International Academy - [redacted]

7th December 2021

[redacted]

Managing Director,

PTC India Financial Services Limited

Dea[redacted]

We, the Independent Directors of [redacted]dia Financial Services Limited (PFS) have been concerned with governance issues and a perceived lack of seriousness to implement Board directives in the Company.

2. We are particularly disturbed by the recent developments on the appointment, joining and related issues pertaining to [redacted] Director Finance & CFO. We had written several mails on this subject but have got no response or guidance in this matter.

3. In this regard, we require that all documents pertaining to the appointment, joining including all correspondence with [redacted] from him to the Company or its officials as well as PTC India Limited or its officials be made available to us.

4. We also require all details and back up papers of any formal or informal consultations with and advice received from, any legal (including the legal advice given to us for the Board meeting held on 6th December 2021), HR or any other consultants the management would have referred to regarding the matter [redacted] joining the company.

5. We are perplexed that there appears to be endeavour to run a listed NBFC active in the business of lending large credits with a single full-time director without allowing a Board appointed Director from functioning in his role.

6. As Independent Directors we need to examine our role and responsibilities to minority shareholders and Regulators given this background of deficiencies in corporate governance and non-adherence to Board approved resolutions and directives.

7. We wish to seek legal advice from a Lawyer of our choice. We are entitled to such legal advice as laid down in sub para 2 of para III of Schedule IV read with Section 149(8) of the Companies Act, 2013, which reads as under:

"III. Duties :
The independent directors shall—
(1) ......
(2) seek appropriate clarification or amplification of information and, where necessary, take and follow appropriate professional advice and opinion of outside experts at the expense of the company"

Please direct the Company Secretary to issue the appointment letter to the Lawyer we name.

We hope you will accede to our request at the earliest and in any case no later than 10th December 2021.

Thanking you

Yours faithfully

[redacted]

Copy to Chairman, PTC India Financial Services Limited

All Directors of PTC India Financial Services Limited

Company Secretary and Compliance Officer, PTC India Financial Services Limited

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Exhibit Ex-B4- Email dated 7th December 2021 from [redacted] in furtherance to the email of [redacted]

From: [redacted]
Sent: 07 December 2021 20:26
To: [redacted]
Cc: [redacted]
Subject: Re: Letter from Independent Directors to MD

Thanks Kamlesh for sending out this mail on behalf of all of us.

Pawan: would request you to do the needful as requested by the IDs in the letter attached in the mail of Kamlesh

Exhibit Ex-B5- Email dated 7th December 2021 from [redacted] in furtherance to the email of [redacted] and [redacted]

From: [redacted]
Sent: 07 December 2021 22:08
To: [redacted]
Cc: [redacted]
Subject: Re: Letter from Independent Directors to MD

Thank you [redacted] for forwarding the letter of IDs on issues of Governance in PFS.

I also note with concern that our earlier mails were not replied to and I request MD Shri Pawan ji to respond and take necessary action on time as requested in our letter.

[redacted]

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Exhibit Ex-C1- Email dated 8th December 2021 from [redacted] in response of email of [redacted] for proposed NRC Meeting

From: [redacted]
Sent: 08 December 2021 13:29
To: [redacted]
Cc:
Subject: RE: [redacted]

Sir,

This has reference to the e-mail send by you on 7th December, 2021 to the Company Secretary, regarding proposed meeting of NRC to be scheduled at a particular date and time. In the said e-mail there is no agenda attached for the meeting.

We request you that the proposal for scheduling any committee meeting may be finalized in consultation with the Chairman, PFS and Management of the company as the agenda is required to be prepared and proposed by the PFS Management prior to notification of the meeting.

Chairman has advised to undersigned forward your e-mail to MD & CEO, PFS so that necessary agenda can be prepared for the NRC meeting. He also desired the meeting of NRC may be conveyed by giving the required notice and approved agenda as per statutory provisions.

This is as per direction of the competent authority.

Regards

[redacted]

Exhibit Ex-C2- Email dated 8th December 2021 from [redacted] in furtherance to the email o[redacted]

From: [redacted]
Sent: 08 December 2021 10:55
To: [redacted]
Cc:
Subject: Re: Letter from Independent Directors to MD

I agree with your mail
As independent directors of listed company that too an NBFC we need to have clarity on compliance matters and expectations of regulators as representatives of minority shareholders .
In view of recent developments it us prudent to legal counsel on issues of concern This is provided in the Act

Request [redacted] to kindly act on [redacted] !
Regards

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Exhibit Ex-D- Email dated 9th December 2021 from [redacted] in response t[redacted] email

From: [redacted]
Sent: 09 December 2021 11:06
To: [redacted]
Subject: proposed NR committee meeting

Dear [redacted]
I write with reference to your email in response to the NRC meeting proposed on 10 th December 2021

It is my considered view that the Chairmen of the Board Committees can call for the respective committee meetings even at short notice whenever considered necessary, with the consent of director members of the committees concerned

You may refer to Guidance note on Meetings of Board Directors(revised SS 1) at www.icsi /edu.media/webmodules/guidance -note -meetings of Board.
Short notice meetings are permitted. Even Directors can call for them let alone Chairman of the Board/Committees.

May I point out that we have held NR committee meetings in the past in PFS without specific management agenda esp on matters of Board level appointments.?

I had earlier for an NR committee meeting to recommend names for Board level vacancies as we are running out of time for appointment as required by SEBI LODR.
There has not been any response to this request.
Members had also requested in the earlier NR committee meeting that the management should place before the NR committee at the earliest the Annual appraisals of KMPs and recommendations for increments/PRP This also did not met with any response.
The meeting on 10th December 2021 is scheduled to be held to ensure compliance with SEBI listing norms. NR committee role is recommendatory and it is for the Board to take a call on the recommendations and the implication of any non compliance with listing norms. Please bear in mind that the independent directors are particularly accountable to the minority share holders in terms of corporate governance.

After failing to respond to past requests to hold NR committee meeting, I am perplexed by this Present request to give time for agenda.
However in deference to Board Chairman's wishes we may postpone the proposed NR committee meeting to 15th or 16th of December 2021 to enable Management to submit any agenda. Please note we need to hold this meeting latest by 16th Dec 2021 .
NR committee would like to reach their recommendations to reach the Board to with adequate time for the Board to take urgent steps to avoid non compliance and penalties.
The agenda for the NR committee is to discuss and make recommendations to the Board on existing lady independent director's vacancy and forthcoming expiry of an independent director's term apart from any agenda Management may submit .You May please follow upon any agenda to be placed

Kindly consult other NRC members, issue NR Committee meeting notice & arrange the web link for the meeting at the earliest.
Regards

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Exhibit Ex-E1- Email dated 10th December 2021 from [redacted] regarding proposed NRC Meeting

From: [redacted]
Sent: [redacted] 2021 13:18
To: Santosh Nayar
Cc: [redacted]
Subject: Re: proposed NR committee meeting

Dear [redacted]

I am surprised why the NR Committee meeting called on 10th Dec has to be postponed on the basis of the mail received from the Company Secretary. It is amply clear as per SS 1 that the Chairman of a Board Committee can call for a Committee meeting anytime when necessary on short notice and we have done it also earlier. There are very urgent items to be transacted by the NRC like Board appointments to be compliant with the SEBI LODR and also certain other important items pending for a while. Hence the advice from Chairman and Management of PFS to postpone the NRC meeting is not in order.

I am available both on 15th and 16th Dec. for NRC meeting as suggested in your mail. I also, as member of the NR committee request the Management to facilitate the NRC called by its Chairman.

Regards
Thomas Mathew

Exhibit Ex-E2- Response from [redacted] in reference to the letter received from Independent Directors vide email dated 10th December 2021.

From: [redacted]
Sent: 10 December 2021 15:35
To: [redacted]
Subject: Re: Letter from Independent Directors to MD

Dear Sir/Madam,

This is with reference to e-mail dated 7th December 2021 from Independent Director of PFS Limited to MD & CEO, PFS relating to process of selection, appointment and joining of [redacted]

The matter has been forwarded to undersigned since the whole process of selection, appointment and joining of [redacted] has been handled by PTC-HR. I have issued necessary instructions to the concerned officials in PTC to get the matter examined holistically and address the issue on priority as requested by Independent Directors.

3

With warm regards,

[redacted], PFS

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Exhibit Ex-E3- Email dated 12th December 2021 from [redacted] in response to email received from [redacted]

From: [redacted]
Sent: 12 December 2021 10:34
[redacted]

2

[redacted]
Subject: RE: Letter from Independent Directors to MD

Dear [redacted]
We are in receipt of your email dated 10th December 2021, in reply to our email and letter addressed [redacted], MD dated 7th December 2021. In this connection, we are attaching herewith letter dated 12th December 2021 from [redacted], Independent Directors addressed to you & copy marked to MD, all other Directors & Compliance Officer & Company Secretary.
We once again request you & MD as per the letter to provide us with all documents required by us not later than 14th December 2021. The Managing Director must also direct the Company Secretary to issue appointment letter to the Lawyer we name and acknowledge that direction has been so issued.
Kindly acknowledge receipt of this email.

PS: Please note the change in my email ID [redacted]

Thanks & regards,

[redacted]
Partner

[redacted]

[redacted] Level 19, Senapati Bapat Marg, Elphinstone Road, Mumbai 400013, INDIA
T: +91 22 6143 7333 W [redacted]

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Vipassana International Academy [redacted]

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Exhibit Ex-F1- Early warning signal given to Chairman and MD&CEO by [redacted] vide email dated 12th December 2021

From: [redacted]
Sent: 12 December 2021 11:41
To: [redacted]
Cc: [redacted]
Subject: Status note on non-compliances
Attachments: Status of note on pending compliances.docx

Sir,

Please find the attached status note related Non-compliances w.r.t the composition of the Board and Committees as desired by you.

Regards

[redacted]
Company Secretary

Present status of the Non-compliances w.r.t the composition of the Board and Committees

Non Compliance Provision	Statutory Provision	Date of Occurrence of Vacancy	To be complied with	Consequences for non-compliance as per Companies Act, 2013	Consequences for non-compliance as per SEBI Listing Regulations
Composition of the Board- Vacancy of Women Independent Director	In terms of the provisions of the Regulation 17 of SEBI Listing Regulations and Companies Act, 2013, PFS shall have atelast 1 (One) Woman Independent Director.	14th October, 2021 [redacted]	13th January, 2022 (i.e. within 3 months from the date of the vacancy)	N.A. (in terms of Companies Act, 2013 PFS is complied)	₹ 5,000 per day
Constitution of the N&R Committee	In terms of the Regulation 19of the SEBI Listing Regularions and Section 178 of the Companies Act, 2013, the N&R Committee shall consists of A. Atleast 3 Directors B. All	Presently the N&R Committee only consists of 2 members viz [redacted]	At all times	The company shall be liable to a penalty of five lakh rupees and every officer of the company who is in default shall be liable to a penalty of one lakh rupees.	It is to be mentioned that in the corporate governance report for the quarter ended 31.12.2021 to be filed with exchanges, status will be shown as non-compliant and SEBI may impose following penalties for non compliance. ₹ 2,000 per day

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	Members shall be Non Executive; C. Chairman shall be ID D. Chairperson of Company can be Member E. Atleast 50% shall be ID (however, w.e.f 01.01.2022 atleast 2/3 shall be ID)				
Constitution of the CSR Committee	In terms of the provisions Section 135 of the Companies Act, 2013, the CSR Committee shall consist of atleast 3 Directors with atleast one Independent Director	Earlier the CSR Committee consists of [redacted] Pres[redacted] the [redacted] of the Committee	At all times	General Penal provision The company and every officer of the company who is in default or such other person shall be 1[liable to a penalty of ten thousand rupees, and in case of continuing contravention, with a further penalty of one thousand rupees for each day after the first during which the contravention continues, subject to a maximum of two lakh rupees in case of a company and fifty thousand rupees in case of an officer who is in default or any other person].	N.A.
Constitution of the Stakeholder Relationship Commiitte	In terms of the provisions of Regulation 20 of SEBI Listing Regulations and Section 178 of the Companies Act, 2013, the Stakeholder Relationship Committee shall consists of following:- A. Atleast 3	Earlier the Stakeholder Relationship Committee consists of [redacted] Presently [redacted]	At all times	The company shall be liable to a penalty of five lakh rupees and every officer of the company who is in default shall be liable to a penalty of one lakh rupees.	It is to be mentioned that in the corporate governance report for the quarter ended 31.12.2021 to be filed with exchanges, status will be shown as non-compliant and SEBI may impose following penalties for non compliance. ₹ 2,000 per day

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	(three) directors B. With atleast one being the Independent Director C. Chairperson shall be Non-Executive Director				

Further consequences:

1. It is further to be mentioned that apart from the above, there will be qualification in the Annual Secretarial Compliance Report and Secretarial Audit Report for FY 21-22.
2. The Company is required to conduct its CSR Meetings to approve the revised CSR Policy, Annual CSR Plan and CSR expenditure for the FY 21-22 and related activities.

Exhibit Ex-F2- Email dated 12th December 2021 from [redacted] indicating that after withdrawal of [redacted] N&R Committee became dysfunctional

From: [redacted]
Sent: 12 December 2021 08:45
To:
Cc: [redacted]
Subject: [redacted]

Chairman

I was advised today that the nominee director of PTC [redacted] who was the third member of NR committee of the Board of PFS was suddenly withdrawn by PTC
This for all intent and purpose appears to ensure NRCommittee meeting as proposed by me and other members do not take place

The NR committee of the company was sought to be held to recommend names to fill up vacancies to Board in time and thus prevent breaching of Regulatory requirements .

Initially you had asked the NR committee to be postponed by a few days to enable the management to place agendas if any which they had not been doing hitherto despite requests

The manner of rendering the NRCommittee without a quorum immediately thereafter makes it apparent that the intention was to prevent the NRC meeting itself
Such withdrawal if warranted could have been done after allowing a meeting of NRC to fulfill it's regulatory obligations.

In any case since the NRC has been rendered dysfunctional without quorum the responsibility of appointment of Independent Directors to meet regulatory requirement now falls on the Board

Since NR committee is a Statutory Committee, Board will have to reconstitute the committee first and then consider it's recommendations in an immediate ensuing meeting to meet the regulatory requirement.

I would request that a Board meeting be immediately called for this purpose With regards

[redacted]

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Exhibit Ex-G1- Response from [redacted] vide email dated 13th December 2021

On Mon, Dec 13, 2021 at 5:22 AM [redacted] wrote:
Dear Sir,

Please refer to your letter dated 12/12/2021 to Chairman (copy marked to me) referring to your earlier letter dated 7/12/2021 addressed to me with a copy to Chairman.

In this connection please recall my telephone call to you explaining the reason why PFS is unable to respond.

You are aware that as per the 37th & 38th NR committee of PFS my HR power a[redacted] were restricted and all appointments were to be done with the prior approval of Director (HR), PTC. The Board of PFS in the meeting held on June 23, 2020 approved the aforesaid decisions of NR committee. The NR committee further in its meeting held on 17th Jul 2021 decided that Chairman PFS may write to it's Promoter regarding appointment to the post of Directors in PFS and also that process in this regard be carried out by PTC HR in consultation with the Committee.

Therefore, as mentioned aforesaid as the entire process of selection of Directors in PFS was handled by PTC officials as per the PFS Board's decision, so undersigned had to bring to the attention of Chairman, PFS/ CMD, PTC as they alone were best suited to address the issues.

I again assure you of my continued and sincere efforts to resolve all issues and work in the best interest of Organization.

Thanks & Warm Regards
[redacted]
MD & CEO

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Exhibit Ex-G2- Email dated 13th December 2021 received from [redacted] in response to the emails of [redacted] and [redacted]

On 13-Dec-2021, at 10:26 [redacted] wrote:

[redacted]

Many thanks for your mails of 10th December and 13th December respectively. There were three requests made in our letter dated 7th December. Two related to information and one to an instruction to be given to Company Secretary PFS. Neither of these requests have been referred to leave alone complied with.

2. The instruction to be given to the Company Secretary, PFS to render us assistance for legal advice as provided by the law, has quite clearly to be given by MD,PFS. Although this instruction had to be given by MD,PFS by the 10th this has not happened.

3. The request for information also has to be handled by MD PFS. Many of the documents that we want – like the background note given to the lawyer whose opinion was given to us just before the Board Meeting on 8th November – are in the possession of PFS. It is the MD,PFS who has to co-ordinate with PTC and get the other documents which are exclusively in the possession of PTC and have not been shared with PFS

4. We note with concern that instead of rendering us help as requested the matter has been deflected into areas which are not relevant to our requests

5. I fully agree with the position set out in the mail of [redacted] in his mail of 11th December. We do hope compliance will come by tomorrow as requested by him.

6. I have consulted the other three IDs of PFS and they are in full agreement with the the contents of my mail

1

Regards

[redacted]

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Exhibit Ex-G3- Email dated 13 December 2021 for request from [redacted] t[redacted]

From:	[redacted]
Sent:	13 December 2021 22:50
To:	[redacted]
Cc:	[redacted]
Subject:	Re: Letter from Independent Directors to MD

Dear [redacted]
As discussed with you thank you very much for writing this email which I am in total agreement with.
[redacted]
Please do the needful as requested as per our emails & letters.

P.S. Please note change in my email ID t[redacted]

Thanks & Regards
[redacted]
Khimji Kunverji & Co LLP
Sunshine Tower, Level 19,
Senapati Bapat Marg,
Elphinstone, Mumbai 400013
India
T : +91 22 6143 7333
W [redacted]

Exhibit Ex-H- Email dated 14th December 2021 received from [redacted] in furtherance to the email o[redacted]

From:	[redacted]
Sent:	14 December 2021 08:25
To:	[redacted]
Cc:	[redacted]
Subject:	Re: Letter from Independent Directors to MD

I am in full agreement with wha[redacted] has written and I reques[redacted]n and [redacted]h to address the points raised in our letter of 7th December with out further delay.

Thanks and regards
[redacted]

Sent from my iPhone

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Exhibit Ex-I- Email dated 15th December 2021 received from [redacted] in furtherance to the email o[redacted]

From: [redacted]
Sent: 15 December 2021 11:56
To: [redacted]
Cc: [redacted]
Subject: RE: Letter from Independent Directors to MD

Dea[redacted]
Please refer to the mail from [redacted] dated 13th December 2021 regarding the legal counsel to be selected by us. But, there has unfortunately been no response to our requests. We have therefore gone ahead with selection of the counsel, and we are appointing Advocat[redacted]
One World Centre, 10th & 13th Floor, Tower 1C, 841, Senapati Bapat Marg, Mumbai 400013 as our Lawyer to give us appropriate legal advice and opinion and the fees are to be borne by the Company as per provisions of Company Law.
We once again request you to provide all documents as mentioned in our letter dated 7th December 2021 and subsequent emails.

I write this with the concurrence of the other three Independent Directors

PS: Please note the change in my email ID t[redacted].

Thanks & regards.

[redacted]
Partner

[redacted]

Sunshine Tower, Level 19, Senapati Bapat Marg, Elphinstone Road, Mumbai 400013, INDIA
T: +91 22 6143 733[redacted]

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Vipassana International Academy[redacted]

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Exhibit Ex-I1- Email dated 15th December 2021 from [redacted] in response of email received from [redacted]

From: [redacted]
Sent: Wednesday, December 15, 2021 12:11 PM
To: [redacted]
Cc: [redacted]
Subject: RE: Discussion on [redacted] Issues in PFS

Dear [redacted]

Please find attached letter dated 15th December 2021 from [redacted] in response to your email dated 14th December 2021.
Kindly acknowledge the receipt of this email.

PS. Please note the change in my email ID [redacted]

Thanks & regards,

[redacted]
Partner

Exhibit Ex-J- Email dated 17th December 2021 from [redacted] in response of email received from [redacted]

From: [redacted]
Sent: Friday, [redacted]
To: [redacted]
Cc: [redacted]
Subject: Discussion on Governance Issues in PFS

Dear [redacted]

Kindly refer to your mail dated 15-Dec-21 and I draw your attention to my mail of 14-Dec-21 wherein I have apprised you the matters pertaining to corporate governance flagged in the RBI inspection report. You may also be aware that the inspection report has been referred to the PTC promoter companies and Ministry of Power, Government of India. In this regard, PTC India is in receipt of letter dated 03.11.2021 from Ministry of Power, Government of India directing Co. Secretary, PTC for compliance of RBI letter in letter and spirit.

I would like to reiterate that the PFS Board in last six months have met several times and deliberated the governance issues including RBI inspection report. However, in the Board meeting dated 08.11.2021, it was emphasized by me that the issue needs to be addressed in all aspects which includes but not limited to regulatory, administrative and legal. The compliance process is still under progress and Management is to submit a comprehensive report as discussed during Board meeting on 09.11.2021. We once again assure you that the induction of new Board member as per SEBI LODR would be completed well in time.

We strongly believe that any legal consultation separately by Independent Director at this stage would be premature. We will certainly consider the need for it, in case there is ambiguity.

I trust this addresses your concern and would solicit your cooperation to run the Board and company smoothly.

With warm regards,

[redacted]

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<u>Exhibit Ex-K- Issues highlighted by the RBI and response of company as on 7th January 2022.</u>

The Key observations of RBI Inspection Report

	Risk Assessment Report Observation					
1.2	Corporate Governance	PFS Reply	RBI Response	PFS Reply	RBI Response	PFS Reply
(iv)	The Group CRO who was also the ED of PTC India Limited (PTC) working in PTC group since May, 2013, was part of one [redacted] from 2008 to 2013. Before joining Athena group, he was also working in PTC India Limited from August 01, 1999 to May 01,2007. PTC India Financial Services Limited had sanctioned a loan of ₹200 crore to Athena group on March 01, 2011 and additional facility of ₹51 crore on March 16, 2016, when the CRO had joined back PTC India Limited. The account had turned NPA in 2018.	Considering [redacted] has already ceased the Board of the Company on 2nd June 2020, we request to close this observation. This is a factual statement. At no point of time has the concerned person been involved in any decision-making capacity for grant / sanction of the said loan. The subsequent / additional loan after the initial sanction was a collective decision of a consortium of lenders. PFS, being a part of the consortium, has just followed the decisions of consortium.	The compliance submitted by company is not accepted. The company is advised to submit date-wise position of the relationship/ position held by the KMP of the PTC India Financial Services Limited and its parent company PTC India Limited in [redacted] since beginning. Further, the company is advised to give details regarding all the exposures towards [redacted]	Details pertains to PTC India Financial Services Ltd is available in Annexure – 8 Request for providing details pertains to Holding Company has been sent to PTC India Ltd. and shall be submitted once received.	The compliance submitted by the company is kept pending. The company is advised to submit details pertaining [redacted] to Holding Company.	Response received from PTC that none of the current KMPs of PTC India Limited i.e. [redacted] held/ is having any relationship/position in [redacted] since its beginning

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(v)	The Risk management approach in PFS was aligned with the Group Risk Management Policy of PTC which defined the risk appetite and other aspects including the risk management organization for PTC and its subsidiaries). The Gr. CRO for the PTC group, was an invitee to the Risk Management Committee meetings of PFS and he was the special invitee to all Board Meetings of PFS since late 2014. The CRO and the risk management team of PFS worked with the Gr CRO of PTC for risk assessment, methodologies and management. The independence of the functioning of the Risk Management Committee of PFS could not be ascertained due to the above. The CRO of PFS was accountable to the Group CRO for the preparation of the Risk reports. The risk reports were vetted by the Gr CRO of PTC, before their submission to the MD & CEO of PFS. This was not in terms of para 2(c) of the RBI/2018-	[redacted] has been a member of the PFS Board since June 2020 and has contributed significantly to the performance of the company. A. The above is not correct as the CRO of PFS is accountable to MD & CEO and Board of PFS only. The Risk reports- only in respect of loan proposals and for proposals for resolution of stressed assets through modes of sale to ARCs/OTS mode are sent to Group CRO for his suggestions, if any, and the final decision to send the proposal to the Board is taken by the MD & CEO of PFS. It is only after the MD &CEO of PFS decides to recommend the case to the Board that it is placed before the Board for a final decision in the matter. This is also made amply clear in the extract of the 66th Board minutes set out in sub para C below B. As regards the compliance of RBI's Circular No RBI/2018-19/184 DNBR(PD) CC.No.099/03.10.001/2018-19 dated May 16, 2019 is concerned, it is submitted that PFS is fully compliant with the provisions of the said Circular of RBI. C. The said Circular formulates that "... there is a need for NBFCs to augment risk management practices. While Boards of NBFCs should strive to follow best practices of risk management ..." in furtherance of this stated objective of the Circular, PFS in its 66th Board Meeting held on 27th March 2015 laid down the	The company has not submitted any compliance with regard to independence of the functioning of the RMC of PFS, hence the company is advised to submit the compliance again. Para 2(c) of the RBI/2018-19/184 DNBR(PD) CC.No.099/03.10.001/2018-19 dated May 16, 2019 states that the CRO shall have direct reporting lines to the MD & CEO, however, the Risk reports were vetted by the Gr CRO of PTC, before their submission to the MD & CEO	With respect to the signing of the risk report by the Gr CRO, the Board was informed that PFS's Board in its 66th meeting has desired that the risk department under the supervision of Group CRO will submit its report to MD & CEO mentioning the clear risk remarks & whether the proposal is a no go proposal. The Board discussed the same and decided that as PFS's CRO is a senior level official therefore, the risk report shall be submitted by him directly to MD &CEO for his consideration. The Board further decided that risk report of PFS would not be routed through Gr. CRO henceforth. MD & CEO emphasized that RBI raised the issue of seniority. Board however, RBI circular, his re-appointment was	The compliance is not accepted. The company is advised to submit documentary evidence i.e. copy of the relevant Board Meeting.	The extract of MOM of Board is attached as Annexure - A

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	19/184 DNBR(PD) ~~CC.No. 099/03.10.001/2018-~~ 19 dated May 16, 2019.	Risk reporting matrix which is as under: **Risk Reporting** The Board was apprised about the risk function of PFS and also informed that the risk report is also being vetted by PTC Group CRO. The Board desired that for independence of risk function, after appraisal duly approved agenda by the Whole -Time Director (s) may be submitted to risk department for their assessment. The risk department under the supervision of Group CRO will submit its report to MD & CEO mentioning the clear risk remarks & whether the proposal is a no-go proposal. MD & CEO will take a final call on the proposal after reviewing the recommendation of Whole -Time Director (s) and risk dept. D PFS has a CRO in place, reporting to MD & CEO. However, as per the Board Guidelines and to leverage the expertise of the Group CRO, the risk reports are being sent to Group CRO for his suggestions, if any. Further the Board guidelines clearly state that the report will be submitted to MD & CEO, who will take the final call. From the above, it becomes clear that the risk proposals are sent to Group CRO for a limited purpose for suggestions, if any, to leverage his expertise only. The final authority, to decide whether or not to send it to the Board for its consideration in the matter is the MD & CEO.	of PFS by the CRO. As per para 2 of the said circular the NBFCs have to strictly adhere to the instructions contained in the circular Further, as per para 2 a) of the circular "The CRO shall be a senior official in the hierarchy of an NBFC and shall possess adequate professional qualification/ experience in the area of risk management." That the Risk reports are put up to the Group CRO of PTC by the CRO of PFS hence, it cannot be ascertained whether the CRO of PFS has adequate	made by the Board based on the recommendation of the N&R Committee and Risk Management Committee.		

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		MD & CEO remains the controlling officer of the CRO and final authority in the matter. Further the said Circular states that the role of CRO is only of an advisor. It is also seen that when the CRO was appointed in 2019 the Board clearly specified that he would report to the MD & CEO PFS, as per the RBI circular quoted above (Annexure I). Further as per the office order dt July 29, 2019 the CRO, PFS reports to the MD & CEO, PFS. (Refer Annexure C) Further, on the Administrative side the annual performance appraisal of the CRO and risk team of PFS is done solely by the MD&CEO - PFS. The Key Performance Areas and Key Performance Indicators are all finalized by the MD&CEO, PFS. Further since the CRO, PFS is reporting directly to the MD&CEO, PFS the CRO, PFS does meet with the Risk Management Committee (without the presence of the MD&CEO, PFS) of the PFS every quarter as required by the RBI. E In view of the above it is submitted that there is no violation of the RBI circular and the independence of the CRO is not compromised in any manner. Accordingly, it is considered that there is no change required in the functioning of the Risk Department of PFS or the manner in which the independence of the CRO, PFS is protected.	professional qualification/ experience in the area of risk management as required under para 2(a) of the aforesaid circular. In view of the above, the company's compliance is not satisfactory in this regard and hence, the company is advised to resubmit the compliance.			

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(vi)	The Board in its meeting held on June 23, 2020, decided to form a "Business Committee" by merging the following Committees/Gr of Directors (a)Group of Directors for Policy review (b)Committee of Directors for issuance of Bonds (c)Investment Committee (for sanction of financial assistance upto Rs. 100 crores) (d)Group of Directors to consider the Settlement Proposals (e)Group of Directors for Capital Raising and Strategy (f)Group of Directors for Business Plan and Strategy The composition of the "Business Committee" was as under : 1 Whole Time Director on PFS 2 Independent Director on 3 Independent Director on 4 ED of PTC India Ltd. & D PFS The independence of the functioning of the Business Committee could not be ascertained as the Chairman of the Committee was also the Whole Time Director on PTC India Ltd.	It is submitted that PFS has taken care to ensure that the composition and functioning of the Business Committee is not in violation / non-compliance of any regulation of RBI. The Business Committee of PFS was set up in June 2020 by merging several committees. This was done to streamline functioning of different committees. The Business Committee is a non-Statutory Committee. It has very limited powers and most of its work is to scrutinize policy proposals and recommend to the Board of Directors for a final decision. It also recommends proposals for One Time Settlement which are sent to the Board for a final decision. The only powers it has is to sanction loans of upto Rs.100 crores and that too with some restrictions. It may be mentioned that in the one year period that the Committee has been in existence, it has sanctioned only 3 loans totaling about Rs. 250 Crores (against a total sanction of about Rs. 4400 crores in FY 21). All of them are to companies that have no link whatsoever with PTC. The Committee is constituted of nominee directors, Independent Directors and works with complete independence. The Business Committee of PFS, like its predecessor Committees, is largely meant to make the work of the Board more efficient by scrutinizing proposals which are finally decided by the Board of PFS.	The compliance is not accepted. The majority of the members (including the Chairman) of the Business Committee were from PTC India Ltd. Only one member pertained to PFS. The company's explanation is not satisfactory, hence the company is advised to resubmit the compliance	The Board in its meeting dated September 20, 2021, decided to merge the Business Committee with the Board with immediate effect and also decided that all the pending matters with the Business Committee may be placed to the Board. There will be no business committee for PFS as declared by PFS Board.	The compliance is not accepted. The company is advised to submit extracts of the Board Minutes wherein the company's submission can be ascertained and resubmit the compliance	The extract of MOM of Board is attached as Annexure - A

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		It is considered that the Committee is working well at present.				
(vii)	The minutes of the 37th and 38th meetings of the Nomination and Remuneration Committee (December 23, 2019 and January 27, 2020) were approved by the Board of Directors in its meeting held on June 23, 2020, wherein it was decided that – (a) All the appointments for PFS shall be done with prior Approval of Director (HR), PTC India Limited except that the management may prepare the manpower plan and the same may be placed for approval of the Committee and the Board. Once the same is approved, the appointments may be made as per Group HR policy. (b) The issue related to transfer, posting, promotion at the level of functional head and one level below that would be done with prior intimation to Director(HR), PTC India Limited (c) For any communication related to policy matters including potential PTC divestment may be made	It is submitted that PFS has taken care to ensure that the said aspects of Human Resource management are not in violation / non-compliance of any regulation of RBI. It is emphasized that as PTC is envisaging divestment of its equity in PFS, PTC through its nominee director on NR Committee of PFS had suggested that till such time as a binding offer is received by PTC and a prospective buyer is identified, specified HR matters of PFS need to be carried out in consultation/approval of PTC The N&R Committee in its 37th and 38th Meetings, after detailed discussions agreed with the proposal of PTC. The minutes of the 37th and 38th meetings of the Nomination and Remuneration Committee (December 23, 2019 and January 27, 2020) were noted by the Board of Directors in its meeting held on June 23, 2020, wherein it was decided that – a) All the appointments for PFS shall be done with prior approval of Director (HR), PTC India Limited except that the management may prepare the manpower plan and the same may be placed for approval of the Committee and the Board. Once the same is approved, the appointments may be made as per Group HR policy.	The compliance is not accepted. The company is advised to submit a copy of the minutes of the Nomination and Remuneration Committee in its meeting held on July 17, 2021 and a copy of the decision as approved by the Board of Directors of PFS in its meeting held on 28th July 2021	Copy of the MOM of Nomination Committee and Board Meeting are attached as Annexure - C	Compliance w.r.t. Vii (a) and vii (b) is accepted. The company has not submitted any compliance w.r.t. para vii (c) viz "For any communication related to policy matters including potential PTC divestment may be made only after prior intimation to Director (HR), PTC." hence, company is advised to submit explanation for the same and also to submit the compliance.	Nomination and Remuneration Committee of PFS in its 43rd meeting observed, "the specific items requiring approval of / prior intimation to Director(HR), PTC may be vested with the N&R Committee i.e. reference of Director (HR) PTC in the minutes of 38th meeting of the Nomination & Remuneration Committee may be read as "Nomination & Remuneration Committee of PFS". The extract of MOM of Board is attached as Annexure - B

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<u>Note:</u> The above issue no. vii(a) & (b) of RBI inspection report for the FY 19-20 is accepted by RBI

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	only after prior intimation to Director (HR), PTC. The reason for the above decision was mentioned as PTC India Limited was exploring the possibility for sale of its stake in PFS, therefore, till a binding offer was received by PTC and a prospective buyer is identified, HR matters of PFS need to be carried in consultation/ approval of PTC. Due to the above Arms length relationship between PTC India Ltd and PFS was not ensured in terms of section 188(1) of Company Act, 2013	b) The issue related to transfer, posting, promotion at the level of functional head and one level below that would be done with prior intimation to Director(HR), PTC India Limited. c) For any communication related to policy matters including potential PTC divestment may be made only after prior intimation to Director (HR), PTC Thus, the specified matters concerning the HR issues were a conscious decision taken by the Board of PFS and this decision was in conformity with the LODR. These decisions were expected to be temporary till the disinvestment process was completed. However, for a variety of reasons the disinvestment process has not moved as quickly as expected. After reviewing the overall status, the N&R Committee, in its meeting dtd. 17th July, 2021, modified the above decision and decided that approval / prior intimation of the specified matters would rest with the N&R Committee PFS, instead of Director (HR), PTC. This decision was approved by the Board of Directors of PFS in its meeting held on 28th July 2021. As regards applicability of Section 188 of Companies Act, it is submitted that the section deals with 'Related Party Transaction' and specifies the contract and				

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		arrangements which fall under this Section. In case of Relationship between PTC and PFS, no contract and agreement, except one transaction as stated above (in the replies at Section I and II at page 31, has taken place between them which will attract the provisions of this Section. Accordingly, there is no violation of Section 188 of the Companies Act.				
4	System and Controls					
4.3	During the period under review, the company had no comprehensive Management Information System (MIS) policy in place. However, it prepared MIS reports and the same were presented before the Board of Directors. The MIS statements generated in the company were on loan sanctioned by bank/FIs to the company, report on down selling of projects by the company, report on SMA cases, report on legal cases, status report of High Risk a/c., report on conditions amended for loans etc. Even its Internal Auditors in their June 2020 report pointed out that, currently trackers & MIS are being prepared manually by respective teams and advised to explore the	# Presently various MIS reports are reviewed by PFS Management and functional head. List of reports are given below 1. Project Sanction report 2. Disbursement Report 3. Portfolio exposure report. 4. Project status report 5. Non-compliance of security. 6. Modification and Amendment in terms of loan conditions. 7. Loan overdue statement 8. SMA accounts 9. High risk loan account identified as per EWS framework and their mitigation. 10. Status of NPA account 11. Review of foreign currency exposure. 12 ALM statements (STDI & STLI including stress testing 13. Periodic financials 14 Review of Budget Vs Actual performance	The company has stated that it will put in place a management information system framework by September 30, 2021. The compliance is not accepted. The company is advised to submit the MIS framework along with Board Resolution by August 31, 2021.	Draft Management Information System Policy is attached as Annexure – D and will be put up to Board for consideration and approval.	The company in its earlier compliance had stated that it will put in place a management information system framework by September 30, 2021. The company was advised to put up the same by August 31, 2021. However, the company has not put up the MIS policy to the Board till date. The compliance is kept Pending. Further, the company is advised to submit an explanation for the delay.	The company has put up the MIS policy to Board in the 143th Board Meeting dated November 9, 2021 and the same was deferred by Board for next meeting.

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	maintenance of those trackers through SAP.	However, company will put in place a management informatin system framework by September 30, 2021				
	Supervisory Concerns					
2 (v) (c)	The company shall ensure that it has a comprehensive Management Information System (MIS) policy in place and ensure that MIS is system driven.	Presently various MIS reports are reviewed by PFS Management and functional head. List of reports are given below: 1. Project Sanction report 2. Disbursement Report 3. Portfolio exposure report. 4. Project status report 5. Non-compliance of security. 6. Modification and Amendment in terms of loan conditions. 7. Loan overdue statement 8. SMA accounts 9. High risk loan account identified as per EWS framework and their mitigation 10. Status of NPA account. 11. Review of foreign currency exposure. 12. ALM statements (STOL & STL) including stress testing 13. Periodic financials 14. Review of Budget Vs Actual performance However, company will put in place a management information system framework by September 30, 2021	The company has stated that it will put in place a management information system framework by September 30, 2021. The compliance is not accepted. The company _ is advised to submit the MIS framework along with Board Resolution by August 31, 2021.	Draft Management Information System Policy is attached as Annexure – D and will be put up to Board for consideration and approval.	The company in its earlier compliance had stated that it will put in place a management information system framework by September 30, 2021. The company was advised to put up the same by August 31, 2021. However, the company has not put up the MIS policy to the Board till date. The compliance is kept Pending. Further, the company is advised to submit an explanation for the delay.	The company has put up the MIS policy to Board in the 143th Board Meeting dated November 9, 2021 and the same was deferred by Board for next meeting.
2 (v) (e)	The company needs to revisit its fraud risk management system for early detection of potential frauds and	As advised by RBI, company will review its existing fraud risk management framework by October 31, 2021.	The compliance is not accepted. The company is advised to review the	Existing Fraud Monitoring and Prevention Policy has been reviewed and suitable amendment	The company in its earlier compliance had stated that it will review the existing Fraud	The company has put up the Fraud Monitoring and Prevention Policy to Board in the 143th

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	monitoring existing fraud cases		existing Fraud Monitoring and Prevention Policy by August 31, 2021 and specify whether the early identification of potential Fraud accounts is based on objective triggers and whether remedial actions are taken based on the triggers in a timely manner.	modification in this regard is being carried out. The draft policy is attached as Annexure-E and will be put up to Board for consideration and approval.	Monitoring and Prevention Policy by September 30, 2021. The company was advised to put up the same by August 31, 2021. However, the company has not reviewed the policy to the Board till date. The compliance is kept Pending. Further, the company is advised to submit an explanation for the delay.	Board Meeting dated November 9, 2021 and the same was deferred by Board for next meeting.

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Annexure related to the Management Response on CNK Draft Report dated 24 October 2022 on Corporate Governance matters

Sr. No.	Particulars	Annexures Reference
C1	Response of management (including exhibits) for draft report on CNK observations on Corporate Governance issues highlighted by 3 Independent Directors in their resignation letter/s dated 19th January 2022 (Page No 52 to Page No 89)	C(1) to C(6)
D1	Response of management (including exhibits) on Draft Report on the points covered at D (Page No 90 to Page No 122)	D(1)(a) to D(1)(f), D(2)(a) to D(2)(b), D(3)(a) to D(3)(c), D(4)(a) to D(4)(c), D(5)

C1: Annexures (including exhibits) C(1) to C(6)

Reference	Management responses
C(1)	• PFS team has provided its response vide its email dated 7th October 2022 on the issues highlighted by CNK team in respect of appointment of [redacted] in their preliminary findings dated 23 September 2022 • PFS has also provided its response on the draft report provided by CNK on the appointment of [redacted] • The following response must be read in conjunction with those responses provided by PFS. • It may be mentioned that Nomination and Remuneration Committee of PFS, in its meeting held on 23rd December 2019, took the strange and unprecedented decision that all the HR matters of PFS shall be dealt with the approval of Director (HR), PTC, which included, matter related to appointments, transfers, postings, promotions etc. and internal communication to employee. PFS (HR) team was to assist Director (HR), PTC in all these matters. This decision disempowered the MD & CEO and HR department of PFS. • The appointment of [redacted] as Director (Finance) & CFO **does not have any materialimpact on the accounts of PFS.** • **The process of appointment of [redacted] was handled by PTC HR led by [redacted] the then Chairman.** • The entire process of appointment of [redacted] has been independently audited in detail by [redacted] which submitted its report to PTC India Limited. The

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report severely indicts the erstwhile NRC of PFS and PTC HR for various serious acts of omission and commission. This report has also been sent to the regulators.

- The attempted joining of [redacted] was bad in law and process. [redacted] committeda fraud on Company by concealing material information required for completion of his joining formalities. [redacted] Head of PTC HR made a false declaration to the Board that [redacted] is joining on absorption basis.
- The PTC Board commissioned an enquiry by its RMC into the allegations made by the resigning Independent Directors of PFS, which included the appointment of [redacted] The PTC RMC report also severely indicted the PTC HR for various serious acts of omission and commission. **<u>This report of PTC RMC has been considered in detail by PTC Board and accepted.</u>**
- It may be pointed out that both [redacted] report as well as PTC RMC report have been submitted to the regulators.
- It may be mentioned that ever since the powers pertaining to HR function were restored to PFS management, PFS management with approval of NRC and Board has appointed one Executive Director in the Company and has already advertised vacant positions for Executive Director in Credit Appraisal function and Director (Finance) & CFO. These posts will be filled in due course after following a transparent Board approved process.
- The sequence of event indicating the role of [redacted] in recruitment process for Director in PFS along with his email dated 20th October 2021 stating that PTC HR will ensure completion of their joining formalities and then handover the process of theirorientation is placed at the end.
- It is emphatically reiterated that as per the decision of the previous NRC, the entire process of recruitment of Directors was run by PTC HR. PFS had no role. It may also be noted that this decision of the previous NRC to take away the HR powers of the MD and transferring them to PTC HR was not in line with RBI's supervisory concerns regarding arm's length relationship between PFS and PTC. The entire process and procedure of [redacted] of selection has been examined, discussed and deliberated in PTC RMC's enquiry. The Report of PTC RMC has been subsequently discussed in detail and approved, by majority vote, in the PTC Board and therefore all issues have been addressed. [redacted] is still working with NTPC. PFS has now notified post for Director (Finance). Further, this matter has no bearing on the financials of PFS.
- PFS had no role in the appointment of [redacted] The corporate governance concerns have been reported by RBI in its supervisory concerns dated 4th June 2021 as mentioned below (<u>Exhibit C1</u>).

"Management – The company shall ensure arm's length relationship with its parent company, i.e. PTC India Limited, w.r.t the management of human resources. It was observed that the independent functioning of the CRO was not ensured in terms of regulatory requirements regarding roles, responsibilities and reporting of the CRO of the company. Further, independent functioning of the Business

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	Committee, which took important decisions relating to your company, was also not ensured. The independence of the functioning of the Business Committee could not be ascertained as the Chairman of the Committee was also the Whole Time Director on PTC India Limited" • Therefore, there is no corporate governance issue on the part of PFS management. • This observation is irrelevant / redundant because it does not establish or indicate any material impact on the financials of the Company. As per the agreed Engagement letter, CNK was required "to ascertain the veracity of the issues raised by the Independent Directors of the Company in resignation letter/s dated 19th January 2022 having material impact on the company". Further, "Material Impact" means any event which result in material adverse impact on financial position on the accounts of PFS and performed with sole motive of malafide intention / fraud wherein any such critical information was not disclosed to Audit Committee or Board and is in contravention of PFS policies or directionsof the Board or statutory requirement, having significant impact on decision making related to such project /proposal".
C(2)	• PFS team has provided its response vide its email dated 7th October 2022 on the issues highlighted by CNK team in respect of [redacted] loan in their preliminary findings dated 23 September 2022 and the following response must be read in conjunction with the same. • PFS has also provided its response on the draft report provided by CNK. • The following response must be read in conjunction with those responses provided by PFS. • It is important to mention that Ex Independent Directors have not taken up NSL matter as a governance issue in their resignation letter. Refer D2 point below and response submitted vide its email dated 7th October 2022, there is no issue of Corporate Governance on the matter. • Critical information have been presented to the Board without any significant delay. • The forensic report was inconclusive and no fraud was evident from the report. Further legal opinion given by [redacted] Retired Judge Supreme Court and Senior Advocate and [redacted] also corroborated the same. • There has been no delay in pursuing in legal options and preferring OTS and instant case the OTS offer is 72% of the principal amount which is substantially on the higher side as compared to the industry's experience of recovery in similar stalled thermal projects. The OTS proposal is under discussion with the Board for last 2 years. • The Board of PFS had constituted a Committee of 2 Independent Directors and the said Committee in its report submitted in April 2021 has interalia recorded, **"However, from an overall point of view, on close scrutiny of the various notes and documents, and direct interaction with PFS officers, the committee is of the**

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	view that the non-disclosure and non-compliance may have not been deliberate or malafide but occurred due to negligence, weak system and lack of controls." Thus, Committee had already certified that there was no malafide or deliberate intention. This report was accepted by the Board on 17th May 2021. • After these views of committee of two Independent Directors constituted by Board and acceptance of their report by the Board, the issue whether there was any delay has already been examined and accepted by the Board. • There is no recording stating that there was delay in supply of information by the management has been made by Independent Directors in their said report too. This matter was discussed in the Board meeting held on 17th May 2021. Nowhere in the minutes, it has been mentioned that there was delay in furnishing information to the committee of Independent Directors. IDs also did not give cognizance to this particular allegation during their meeting held on 5th October 2021, though it was already brought to their knowledge in the meeting of 5th August, 2021. The Independent Directors in their minutes of meeting held on 5th October, 2021 had certified the flow of information to Board or committees as excellent. • PFS's various efforts to resolve the accounts have been informed to the Board, RMC and Audit Committee from time to time. Further, decisions of Board, RMC and Audit Committee have been implemented in this case. The loan account has also been reported to RBI as suspected fraud. • 100% provisioning has been made in respect of the said loan account, hence there is no financial impact on the Company's books and /or malafide intention on part of management as all Critical information have been presented to the Board without any significant delay
C(3)	• PFS team has provided its response vide its email dated 7th October 2022 on the issues highlighted by CNK team regarding unilateral change in conditions of loan, without prior approval of the Board in their preliminary findings dated 23 September 2022. • PFS has also provided its response on the draft report provided by CNK. • The following response must be read in conjunction with those responses provided by PFS. • Refer D2 point below and response submitted vide its email dated 7th October 2022, there is no issue of Corporate Governance on the matter as the pre disbursement condition stipulated by Board has been captured as Pre disbursement condition and these were complied by Borrower • Required Action Taken Reports on the matter has been reported to the Board subsequently held in May 2022. The same has been confirmed by the internal auditor and the legal counsel.
C(4)	• The concerns mentioned by [redacted] the then Chairman are given below after CNK's observations along with our response on the same. • The concerns mentioned by [redacted] the then Chairman are given

		below after CNK's observations along with our response on the same. • The comments made by CNK team are factually incorrect and baseless. • CNK team has not reported any fraud or malafide intention on part of management. • CNK team has also not reported any material impact on the financial position of the Company. • CNK team has made its comments without providing any instance of corporate governance issue on part of the management. • CNK team has not reported any instance of violation of Delegation of Authority by the management. • As explained below, the concerns mentioned by Ex-Independent Directors in their resignation letters and [redacted] Ex- chairman in 137th Board meeting dated 05 August 2021 are baseless and factually incorrect. • In fact, the Independent Directors in their meeting held on 05.10.2021, rated the management with "an excellent" rating for issue of quality, quantity and timelines of flow of information between the company and Board that is necessary for the Board/ Committees to function effectively. • The para (iii) of the resignation letter of Ex Independent Directors under the heading "No action on Corporate Governance issues", they have mentioned only the issues highlighted by [redacted] the Ex Chairman of PFS in th board meeting held on 5th August 2021 and not any other issue. These concerns were responded to by MD&CEO in the same Board meeting and recorded in the minutes (response reproduced below). • At the outset, it is reiterated that the alleged issues pertaining to corporate governance alleged by [redacted] ex- Chairperson, are some trivial operational issues relating to information flow and are only matters of day to day operations of the Company and were duly and satisfactorily replied to/dealt with at the same meeting. It is important to mention that while CNK has highlighted the concerns of the then Chairman, however, they have chosen to omit the responses provided in the same meeting which is recorded in the minutes of the meetings <u>(Exhibit C2)</u>. They have also omitted to mention that at the very same meeting (which was held on 05.08.2021), the Board approved the Annual Report for FY 2020-21. It confirmed the fulfilment of the all the corporate governance requirements without any reservation. It may be noted that [redacted] did not record any reservations in this regard. Minutes of this meeting were duly noted and confirmed at the following meeting of the board, without any reservation by any board member including [redacted] A Practicing Company Secretary has also certified this position <u>(Exhibit C3)</u>. • The responses provided in the same meeting, which are recorded in the minutes of the meetings are reproduced below: *"MD & CEO informed the Board that he would like to give his point-wise answer to these points. On the issue of data supply from PFS to PTC, primarily it was with relation to the divestment process and initially there were issues which were*

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	resolved and data outflow was happening well and whatever was required for carrying out of due diligence, that data has been provided to the satisfaction of the PTC team. He further stated that a fairly good job was done by PFS team despite theteam size being small and within constraints, but they delivered with extra work. Sometimes the team had worked late night/ overnight. *He further informed the Board that as far as presentation to RMC of PTC goes, he was asked by Chairman, RMC of PTC to make a presentation and he made a presentation. With respect to the point that the presentation was changed, he mentioned that it was incorrect. He further stated that as the copy of the presentationwas already available with PTC, there may have been a line which was at variance with what he spoke during the presentation. Since, the copy of the presentation was later asked from PFS afresh, out of 35 slides used during the presentation based on t he actual presentation, a minor modification was done in one of the slides to capture the point made in the actual presentation which was in line with his statement made during the presentation to PTC's RMC. RMC minutes of PTC could be checked if required. This had been also clarified by him in the earlier board meeting.* *He further informed the Board that with respect to reporting of suspected fraud, the Board had desired that the meeting of the Audit Committee to be held by 1st week of July for ensuring that reporting to RBI is done timely. He also agreed that he got a mail from the Chairman, ACB and he replied to Chairman, ACB that a discussion onECL policy, which was pending from quite some time, was also needed. PFS was working on the same because one of the suggestion of the Audit Committee was to check with other NBFCs and find out comparative practices. However, due to covid situation the same exercise could not be completed, therefore he had also sent mail to, the Chairman ACB requesting him that since the exercise was almost complete, PFS management needed one more week's time so that both the matters could be placed before the Audit Committee. It was further informed to the Board that Chairman, ACB was kind enough to consider this, and that due to this the meeting ofthe Audit Committee could not be held in the first week of July and the same couldbe held on 19th July. He further stated that the draft was submitted to the Audit Committee. Audit Committee later gave its suggestions, and based on the same, letter shall be sent to RBI. He further agreed that there had been a delay of 10-11 days that was due to finalisation of ECL policy on the lines of the earlier direction ofthe Audit Committee.* *He further informed the Board that on the issue of signing of that particular Deed of Covenants, not signing or signing is prerogative of* [redacted] *He further informed that he also spoke to* [redacted] *and his only problem was that he would not like to sign an antedated document and that was his concern. He further informed that* [redacted] *never expressed anything related to his concerns ongovernance matters of PFS. On this, the Chairman stated that he has*

	informed to theBoard what [redacted] has informed to him. MD &CEO stated that, if required, [redacted] can be invited for clarification. *[redacted] the Chairman ACB, informed the Board that once there is a direction by the Board, there was no authority with Chairman, ACB to change it. Board is the final authority. Therefore, once the timeline was given by the Board, he promptly wrote a letter to circulate material for the reporting to RBI in advance, so as to achieve the timeline. It is not for the Chairman, ACB to extend the timeline unless the Board extended that timeline. He further informed the Board that as far asthe RBI letter is concerned, the Board in its own wisdom had fixed the date of first week of July based on urgency. The two matters i.e. RBI reply and ECL model could have been dealt separately, and he had mentioned as much to [redacted] and that it was not in his hands to extend the timelines.* *MD&CEO further explained that in line with the decision taken in the 134th meeting of the Board, i.e. the matter related to NNPIL be reported to RBI by the PFS Management in consultation with the Audit Committee, a note on the same was prepared and put up in the Audit Committee meeting held on 19th July, 2021. The Committee discussed the matter and directed that the note be further elaborated to include more details. The amended note was again put up in the audit committee held on 30th July, 2021, wherein the Audit Committee directed to further amend the note in line with discussions. The further amended note in line with the discussionsof the Audit Committee was put up in the Audit Committee meeting held on 4th August, 2021, certain modifications carried in line with the discussions, and the revised note has been circulated. MD stated it is about to be finalised and would be sent to RBI very shortly."* **The point-wise response to [redacted] issues is as under:** a) <u>Delay in holding meeting of Audit Committee in connection with the "suspectedfraud" of the NNPIL account</u> **Response:** The allegations are baseless and factually incorrect since there was no delay in convening a meeting of the Audit Committee. There had been 47 (forty- seven) meetings of the Board and Committees during a period of eleven months – almost one meeting per week during the Covid pandemic. It is essential to recall that there was a raging pandemic during that period. As a consequence, the government had imposed severe restrictions. Many employees of the Company and their family members had contracted Covid. Consequently, there was very limited availability of personnel. Three audit committee meetings were held in 15 days despite the constraints put by NRC and Board in augmenting / strengthening the staff and restrictions imposed during COVID period. The Audit Committee meeting was held on 19.07.2021 (<u>Exhibit C4</u>). As required by the Audit Committee, a draft letter was placed for its consideration at this meeting, which was reviewed by it and changes were recommended. The amended note was put up in the Audit

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	Committee meeting held on 30.07.2021 (Exhibit C5), wherein the Audit Committee directed to further amend the note in line with the discussion held. The amended draft was circulated on 02.08.2021 and was reviewed again at the Audit Committee's meeting held on 04.08.2021 (Exhibit C6), where after it was redrafted and with the approval of the Audit Committee submitted to the RBI on 12th August 2021 (Exhibit C7). Thus, within little over two weeks, at the instance of and as required to meet the requirements of the Audit Committee, three iterations of the draft were made by audit committee which took a time of 25 days whereas the audit committee could have been earliest scheduled on 12th July 2021 which took place on 19th July 2021 i.e. 7 days. No response to the letter got issued audit committee has been received from RBI till date. Thus, holding of meeting of audit committee for this matter was in no way urgent as audit committee took 25 days to finalise it and the same has not been responded by the addressee even after lapse of 15 months. b) Refusal by Director (Marketing), PTC India Ltd. to sign Duplicate Deed of Covenants allegedly on account of certain governance Issues at PFS **Response:** This allegation is completely false, as borne out from the email o[redacted] in relation to whom this allegation is levelled. It may be mentioned that the Deed of Covenant is required to be signed at the time of appointment of Director and the same is ensured by the Compliance Officer of the PFS. [redacted] the then Company Secretary was designated as the Compliance Officer of PFS and it was a lapse of his duties on his part that he did not get the Deed of Covenant signed from the Director at the time of appointment anddid not ensure regulatory compliances. c) Communications addressed by the RBI to the Chairperson were not given to him butwere presented at the Board. **Response:** The Inspection Report and communications in connection with the same with the Reserve Bank of India were placed before the Board (Exhibit C8), includingEx-Chairperson, as abundantly borne out from the board minutes. This was in accordance with the express direction of the RBI in the Supervisory Letter (Exhibit C1) to place the same before the Board of PFS for necessary action. Further, it is not that RBI had directed that the Letter was to be confidentially placed before the Chairperson. Being a member of the Board the Chairperson had also received the communications. Therefore, the purported grievance is incorrect. The minutes of 135th Board meeting held on 21st June 2021 interalia record that, "The Nominee of PTC also pointed out that more than one letter from RBI, forming part of the instant agenda are addressed to the Chairman. It is apparent that the lettershave never reached the Chairman or his office, and have in the first instance been putup as part of an agenda by the CFO. Not having a designated office of the Chairperson, or a Standard Operation Procedure (SOP)

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	vide which any letter(s) addressed to the Chairperson are first accessed by him is a cause of concern to the Board. He further desired that there should be Standard Operating Processes (SOPs) to deal with this, so that such instances do not occur in future." Thus, it has already been accepted by nominee Director of PTC that there was no SOP in this regard, soit cannot be considered as a violation of corporate governance or indiscipline. By bringing it directly before the Board without routing through Chairman, there was no violation of Corporate Governance. Chairman, PFS is a non-Executive functionary. As Executive functionary, the head of organisation is MD&CEO. When Non Executive Chairman does not have a designated office, which was the case here,the correspondences will first land in the hand of MD&CEO and unless there are contrary instruction, MD shall handle it in the best manner. The RBI letter had also directed that this be put to Board of Directors for necessary action. d) <u>Inputs required by the committee of independent directors on the NNPIL issues weredelayed</u> **Response:** There was no delay, as alleged, and we repeat and reiterate what is hereinabove stated in this regard. There is no mention in the report of Independent Directors that there was delay in supply of information by the management. This matter was discussed in the Board meeting held on 17th May 2021. Nowhere in the minutes, it has been mentioned that there was delay in furnishing information to the committee of Independent Directors. IDs also did not give cognizance to this particular allegation during their meeting held on 5th October 2021, though it was already brought to their knowledge in the meeting of 5th August, 2021. The Independent Directors in their minutes of meeting held on 5th October, 2021 had certified the flow of information to Board or committees as excellent. e) <u>Issues regarding presentations before the Risk Management Committee</u> **Response:** The issue raised amounts to no allegation at all. As, *inter alia*, mentioned in the minutes of the board meeting held on 05.08.2021 (<u>Exhibit C2</u>), a presentation was made to the Risk Management Committee of PTC (<u>Exhibit C9</u>) and a copy of the same was submitted. The presentation was online and was recorded. Based onthe discussions during the meeting, minor corrections were made in one of the sentence in only one slide out of several slides. It is pertinent to note that there is no allegation that the content of the modification was incorrect. This matter regarding change of one sentence in one slide of PPT presented to RMC of PTC, while submitting soft copy thereof was brought out in 135th Board meeting of PFS held on 21st June 2021. The MD&CEO had clarified to the Board

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and again, it was clarified by MD & CEO during the Board meeting held on 5th August, 2021. MD, PFS while clarifying this issue has stated that the original presentation made was however available with PTC, as it was online and recorded. A few words from one sentence of only one slide out several slides (approximately 30) were deleted in line with what he had expressed before the RMC while making presentation. This updating is always accepted and cannot be termed as Corporate Governance failure.

In the relevant PTC RMC minutes of held on 14th June 2021, RMC members had interalia observed that PFS would require infusion of money in form of equity and the final response of MD, PFS as recorded in the minutes is, "MD, PFS responded tovarious queries and stated that NBFCs always need money and he does not disagree with what others have said on raising of equity. However, in view of capital adequacy ratio and unlocking of value taking place, there is sufficient cushion to raise capital to get a good value. Currently, the full potential of the value may not be realized." In line with this statement, one of the slides required deletion of a few words from one sentence and therefore, it was done, while submitting soft copy of presentation after 3-4 days incorporating the final views of the MD. This was in no way illegal or violation of corporate governance.

f) Alleged delay in receipt of information/data from PFS although "there are certainimprovements, but more needs to be done"

Response: The allegation is vague, devoid of any particulars and unsubstantiated. The allegation of delay in furnishing information/data is incorrect. There was no delay as alleged without citing any incidence.

g) Sometimes notice to Board Members did not contain required information/documents

Response: The allegation is vague, devoid of any particulars and unsubstantiated. No such allegations were contemporaneously raised or recorded in any correspondence or minutes of any meetings. In fact, the allegation is contradicted and belied by the minutes of the meeting of the Independent Directors held on 05.10.2021 (Exhibit C10), which states that "The Independent Directors discussed the issue of quality, quantity and timeliness of flow of information between the Company management and the Board that is necessary for the Board/ committees to function effectively and found the same as "Excellent". It was observed that all relevant information was provided to the Board in a timely fashion. This applied both to the submission of agenda papers for the Board and its committees as well as any other information that was subsequently requested for." Therefore, the allegation is false and unsubstantiated.

Appreciation for the MD&CEO

Response: This requires no response. CNK has conveniently chosen to remain silenton the appreciation accorded to the MD&CEO in the Board meeting.

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h) <u>Adjournment of Audit Committee meeting to settle issue of provisioning the NNPILloan had reputational implications</u>

Response: This is a baseless and factually incorrect allegation on the management ofPFS. It may be mentioned that audit committee meeting was adjourned by the then Audit Committee Chairman and MD&CEO had no role in the same since he was not even a member of audit committee. The audit committee was adjourned as the statutory auditors required certain comfort from the Board with respect to underlyingsecurity in the loan account. The extract of briefing made by the then Audit Committee Chairman to the Board is given below:

"The Chairman, Audit Committee informed that the Board meeting was adjourned on the issue of difference of opinion with respect to the provisioning In[redacted]He further informed that issuCe was discussed at length with the Statutory Auditorand Management, but the discussion did not reach any conclusion. He also informedthat the Statutory Auditors required certain comfort from the Board with respect to the underlying security in the loan account. He further stated that the matter was discussed with MD & CEO and he has his own submissions to make to the Board.

MD & CEO then stated that the matter was discussed with the Statutory Auditors in detail and the issue that came up was with reference to the draft minutes of the 133rd Board meeting which contains the item covering the Board's discussions on the Report of the Committee of Independent Directors on the[redacted] matter. There is nochange in status of the account when compared to the position in the previous quarter. In the draft minutes, it is mentioned that PFS can proceed further in[redacted]OTS proposal with certain conditions and the same has created a doubt in the mind of the Statutory Auditors as to whether OTS offer holds good or not. The Statutory Auditors have also raised the issue of realizability of the underlying security. He further added that PFS has made certain submissions to the Committee in a differentcontext that with respect to superiority of the option of pursuing the OTS offer over a court settlement because of the time and little bit of uncertainty in the court settlement. These submissions have been interpreted by the Statutory Auditors differently.

He further informed that on the points therein, the Statutory Auditors would require a confirmation duly recommended by the management and acceptance by the Board with respect to the security coverage on[redacted].

He further added that the apparent confusion has arisen because of the draft minutesof 133rd Board meeting in which it is mentioned that a view on the OTS offer by the promoters of[redacted]be taken only after a response is received from RBI on the matter, and a conclusive forensic audit report is available. Therefore, the Auditors required clarity on the validity of OTS offer on PFS's part i.e. that the

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	option of pursuing the offer has not been taken away. He requested to the Board that from the management's side, he is agreeable to give all kind of the confirmation to the Statutory Auditors but they insist on a confirmation from the Board based on management submission. He further suggested that giving this confirmation by the Board would be in overall interest of the Company." It is reiterated that CNK has only mentioned the issues raised by the then Chairman and have chosen to omit the responses provided by the MD&CEO in the same meeting. It may be seen that this observation pertains to 134th Board meeting held on 8th June, 2021 held at 14:00 hrs. In the minutes it is mentioned that "As per request of the Chairman of the Audit Committee, the Board decided to adjourn the meeting to meet again in the evening." The meeting was held at 19:30hrs in the evening of 8th June 2021, when MD&CEO had opined that NSL case has not been declared as fraud but a suspected fraud and as such he was not in favour of full provisioning. All other members opined it should be fully provisioned as value of security as available to PFS was negligible. The minutes of meeting record, "The Audit Committee may consider the revised accounts and recommend to the Board for its approval. After further discussions, the Board decided to adjourn the meeting to meet again on Wednesday 09th June, 2021 at 12: 00 noon." Nowhere, it states that PFS management was the reason for adjournment of these meetings. It was a Board decision to adjourn the meeting to the next day. It may be informed that the meeting was continuing in late evening hours and the Chairman, PFS had said that he was not feeling well and as such the meeting was adjourned. During the adjourned 134th Board meeting held on 9th June,2021 at 1200hrs, the accounts were approved. Thus, it is abundantly clear that the concerns raised by Ex Chairman were largely pertaining to conduct of himself and the independent directors. These do not point to any deficiency or any lapse on part of PFS officials or management.
C(5)	PFS response is given under point no. D3 of CNK observations below.
C(6)	PFS response is given under point no. D3 of CNK observations below. It is pointed out that [redacted] an[redacted] had commented only on 3 issues viz. appointment of [redacted]; submission of forensic report in[redacted]ase and [redacted]report and in these cases they had expressed opinion different from RMC report. In respect of all other points listed at 3 to 6 above, all the members of PTC RMC were thus, unanimous in their conclusions, which was adopted and approved by PTC Board. All the points at 3 to 6 above brought out by Ex Independent Directors as mentioned above by CNK were thus, not accepted by PTC RMC and PTC Board unanimously. The PTC RMC report and minutes of PTC Board meeting were made available to CNK as received from PTC.

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Exhibits for C(1) to C(6)

Extract of RBI supervisory report

(iii) **Management** – The company shall ensure arm's length relationship with its parent company, i.e. PTC India Limited, w.r.t the management of human resources. It was observed that the independent functioning of the CRO was not ensured in terms of regulatory requirements regarding roles, responsibilities and reporting of the CRO of the

Page 2 of 4

company. Further, independent functioning of the Business Committee, which took important decisions relating to your company, was also not ensured. The independence of the functioning of the Business Committee could not be ascertained as the Chairman of the Committee was also the Whole Time Director on PTC India Limited.

(iv) **Liquidity** – The company shall ensure adherence of its policy on investment of surplus funds. The liquidity ratio, as on March 31, 2021 was assessed to be less than 1, implying less than adequate liquid assets for the company. The company shall also improve its ALM by reducing its heavy reliance on the committed lines of credit available from banks.

(v) **Systems and Controls** – The company shall ensure that IS audit is carried out ...

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<u>Extract of Board Minutes- MD response to Chairman</u>

6.It had also come to his notice that whenever some information/data is required by PTC either it was delayed or was not given. While, undoubtedly, there are certain improvements, but more needs to be done.

7.Further, it has come to the notice of Board members that sometimes, the Agenda items of PFS do not contain the required information/ disclosures.

8.Chairman also appreciated one instance of the MD&CEO agreeing with the consensus of the Board, while having a contrarian view initially, and that was duly mentioned.

9.The matter regarding audit committee's meeting for the annual accounts of the Company for FY2020-21, which required adjournment for settling an issue of provisioning was also mentioned. The implication had been reputational, as the Company's Board Meeting for adoption of annual accounts had to be adjourned.

He further stated that these points were in his notice and as the non-executive Chairperson and nominee of PTC, he thought it was not only prudent, but also his duty to bring these to the attention of the full Board. While it was part of his fiduciary responsibility, it is now upto the Board to deliberate and decide further actions on the same.

MD & CEO informed the Board that he would like to give his point-wise answer to these points. On the issue of data supply from PFS to PTC, primarily it was with relation to the divestment process and initially there were issues which were resolved and data outflow was happening well and whatever was required for carrying out of due diligence, that data has been provided to the satisfaction of the PTC team. He further stated that a fairly good job was done by PFS team despite the team size being small and within constraints, but they delivered with extra work. Sometimes the team had worked late night/ overnight.

He further informed the Board that as far as presentation to RMC of PTC goes, he was asked by Chairman, RMC of PTC to make a presentation and he made a presentation. With respect to the point that the presentation was changed, he mentioned that it was incorrect. He further stated that as the copy of the presentation was already available with PTC, there may have been a line which was at variance with what he spoke during the presentation. Since, the copy of the presentation was later asked from PFS afresh, out of 35 slides used during the presentation based on the actual presentation, a minor modification was done in one of the slides to capture the point made in the actual presentation which was in line with his statement made during the presentation to PTC's RMC. RMC minutes of PTC could be checked if required. This had been also clarified by him in the earlier board meeting.

He further informed the Board that with respect to reporting of suspected fraud, the Board had desired that the meeting of the Audit Committee to be held by 1st week of July for ensuring that reporting to RBI is done timely. He also agreed that he got a mail from the Chairman, ACB and he replied to Chairman, ACB that a discussion on ECL policy, which was pending from quite some time, was also needed. PFS was working on the same because one of the suggestion of the Audit Committee was to check with other NBFCs and find out comparative practices. However, due to covid situation the same exercise could not be completed, therefore he had also sent mail to, the Chairman ACB requesting him that since the exercise was almost complete, PFS management needed one more week's time so that both the matters could be placed before the Audit Committee. It was further informed to the Board that Chairman, ACB was kind enough to consider this, and that due to this the meeting of the Audit Committee could not be held in the first week of July and the same could be held on 19th July. He further stated that the draft was submitted to the Audit Committee. Audit Committee later gave its suggestions, and based on the same, letter shall be sent to RBI. He further agreed that there had been a delay of 10-11 days that was due to finalisation of ECL policy on the lines of the earlier direction of the Audit Committee.

He further informed the Board that on the issue of signing of that particular Deed of Covenants, not signing or signing is prerogative of [redacted]. He further informed that he also spoke to [redacted] and his only problem was that he would not like to sign an antedated document and that was his concern. He further informed tha[redacted] never expressed anything related to his concerns on governance matters of PFS. On this, the Chairman stated that he has informed to the Board what [redacted] has informed to him. MD &CEO stated that, if required, [redacted] can be invited for clarification.

[redacted] the Chairman ACB, informed the Board that once there is a direction by the Board, there was no authority with Chairman, ACB to change it. Board is the final authority. Therefore, once the timeline was given by the Board , he promptly wrote a letter to circulate material for the reporting to RBI in advance, so as to achieve the timeline. It is not for the Chairman, ACB to extend the timeline unless the Board extended that timeline. He further informed the Board that as far as the RBI letter is concerned, the Board in its own wisdom had fixed the date of first week of July based on urgency. The two matters i.e. RBI reply and ECL model could have been dealt separately, and he had mentioned as much to [redacted] and that it was not in his hands to extend the timelines.

MD&CEO further explained that in line with the decision taken in the 134th meeting of the Board, i.e. the matter related to [redacted], be reported to RBI by the PFS Management in consultation with the Audit Committee, a note on the same was prepared and put up in the Audit Committee meeting held on 19th July, 2021. The Committee discussed the matter and directed that the note be further elaborated to include more details. The amended note was again put up in the audit committee held on 30th July, 2021, wherein the Audit Committee directed to further amend the note in line with discussions. The further amended note in line with the discussions of the Audit Committee was put up in the Audit Committee meeting held on 4th August, 2021, certain modifications carried in line with the discussions, and the revised note has been circulated. MD stated it is about to be finalised and would be sent to RBI very shortly.

Practicing CS certificate

CERTIFICATE ON CORPORATE GOVERNANCE

The Members,
PTC India Financial Services Limited
7th Floor, Telephone Exchange Building
8, Bhikaji Cama Place
New Delhi-110066

We have examined the compliance of conditions of Corporate Governance by PTC India Financial Services Limited for the year ended 31st March, 2021, as prescribed in Regulations 17 to 27, 46 (2) (b) to (i) and para C, D and E of Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter called as "SEBI (LODR) Regulations, 2015").

The compliance of conditions of Corporate Governance is the responsibility of the management of the Company. Our examination has been limited to review of procedures and implementations thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance as stipulated in the said clause and guidelines. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and based on representations made by the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Regulations 17 to 27, 46 (2) (b) to (i) and para C, D and E of Schedule V of SEBI (LODR) Regulations, 2015 for the year ended 31st March, 2021.

We further state that such compliance certificate is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

[redacted]

Sd/-
[redacted]
Partner
FCS No.: 5774
CP No.: 5910

Place: New Delhi
Date: 28th July, 2021
UDIN: F005774C000699459

NSL - Audit Committee minutes-19th Jul'21

The Committee was informed that in some organizations finance department is interface while in some organizations risk department is interface.

The Committee discussed the agenda in detail and Sh. Rajiv Malhotra, Nominee Director, was of the view that the ECL model has fundamental issues. For instance he pointed out that in the existing model in stage-3 accounts we are relying on the OTS offer of the borrower while in the recent case, the Statutory Auditors did not considered the existing OTS offer in determining the provisioning, he further pointed out issues related to the management overlay as was faced in the past. He was further of the view that the entire model may be fundamentally revisited by the one of the Big 4 Consultancy firms as the management decides and based on the same the revised model may be presented to the Audit Committee before the results for the quarter ended 30th September, 2021. The Committee members agreed with his view. Further, the Committee also desired the interface for calculation of ECL also need to be deliberated in detail that it would be in the domain of risk department or finance department.

Item No. 71.3 Note on [redacted]

The agenda note on the [redacted] was explained to the Committee as per details mentioned in the agenda note.

The Committee stated that as decided by the Board in its 133rd meeting, the Board has decided that the matter should be reported to RBI as a suspected fraud, the reporting to be done by the management in consultation with the Audit Committee. The Committee further stated that in the agenda placed to the Committee, there is no draft letter to be send to RBI and it contain the status note only. The Committee further stated that there is already a significant delay in the meeting of the Audit Committee and on the line of the Board direction, this letter should be submitted at the earliest. The Committee expressed its displeasure on the agenda as placed before the Committee.

The Committee further stated that the [redacted] matter shall be reported to the RBI on the line of the decision of the Board as suspected fraud and all the relevant details in this regard should be submitted to the RBI. The Committee further desired that the draft letter should be elaborated and capture all the facts including the findings of the forensic auditor.

After deliberations, the Committee desired that the draft reply to be sent to RBI along with the complete documents shall be circulated to the Audit Committee for its review by the weekend and next meeting of the Audit Committee to be held in next week latest by 30th July 2021.

[redacted] agenda put up to AC

PTC India Financial Services Ltd.

Memorandum for the Audit Committee

Agenda Item No. 72.1

Subject : Note on [redacted]

In line with the decision taken in the 134th meeting of the BoD that the matter related to [redacted] be reported to RBI by the PFS Management in consultation with the Audit Committee a note on the same was prepared and put up in the Audit Committee meeting held on 19th July 2021. The Committee discussed the matter and directed that the note be further elaborated to include more details. In line with the decision of the Audit Committee a detailed note has been prepared for further consideration of the Audit Committee.

*****

The note has been approved by MD&CEO

-sd-

[redacted]
EVP

[redacted]agenda put up to AC

[redacted]

From: [redacted]
Sent: 02 August 2021 13:24
To: [redacted]
Cc:
Subject: [redacted]aft letter to RBI for the Audit Committee
Attachments: Agenda Item on[redacted] 24Jul2021.docx; Note Agenda Note Audit Committee Jul21.docx

Please find enclose duly approved note on the subject matter for circulation in the Audit Committee
Annexures are same which were circulated earlier and therefore are not being send again.
[redacted]

From: [redacted]
Sent: 02 August 2021 12:57
To: [redacted]
Subject: [redacted] Draft letter to RBI

OK

From: [redacted]
Sent: 31 July 2021 17:53
To: [redacted]
Subject: [redacted] Draft letter to RBI

Dear Sir,
In line with the direction of Audit committee revised agenda note is p.u. for approval.
Regards
[redacted]

PTC India Financial Services Ltd.

31st July 2021

Subject : Note on[redacted]

In line with the decision taken in the 134th meeting of the BoD that the matter related to[redacted] be reported to RBI by the Management in consultation with the Audit Committee, a note on the same was prepared and put up in the Audit Committee meeting held on 19th July 2021. The Committee discussed the matter and directed that the note be further elaborated to include more details.

The amended note was again put up in the audit committee held on 30th July 2021, wherein the Audit Committee directed to further amend the note in line with the discussion.

In line with the decision of the Audit Committee the note has been further amended for consideration of the Audit Committee

1

The same has been put up for kind consideration and approval please.

On Sick Leave
[redacted]

PFS letter to RBI on [redacted] matter

August 12, 2021

General Manager
Department of Supervision (NBFC)
Reserve Bank of India
6, Sansad Marg
New Delhi 110001

Subject: Matter related to Suspected Fraud, One Time Settlement (OTS) and Legal status w.r.t. loan account o[redacted]

Dear Sir,

1. PTC India Financial Services Ltd. (PFS) is an SI IFC NBFC registered with the RBI. We write to you seeking your advice, on the matter of related to suspected fraud, one-time settlement and default in the loan account of a borrower; namely [redacted] where PFS had sanctioned a bridge loan of Rs 125 Crores. The following may be noted in this regard -

2. **Background of the case**
PFS sanctioned a bridge loan of Rs 125.00 crores in the board meeting held on 28th Jan 2014 to [redacted] which was setting up a coal based project of 1320 [redacted] district of Orissa. The bridge loan was carved out of the term loan of Rs 150 Crores already sanctioned by PFS in June 2013 as part of a consortium lending led by [redacted] other co-lenders bein[redacted]. The disbursement of Rs 125 Crores was made to the company on 12th Mar 2014. The bridge loan was sanctioned to meet the capex requirement of the project, pending disbursement from term lenders led by [redacted] The loan was secured through Mortgage of immovable property as well as hypothecation of moveable property of the project; pledge of 85.4% shares [redacted] in addition to pledge of 26% shares of [redacted] held by [redacted] is the holding company of [redacted] is a sister concern [redacted] Corporate Guarantees (CG) of [redacted]romoter company), along with Personal Guarantees (PG) of Promoter Director; 16 PDCs – 12 towards monthly interest and 4 towards quarterly instalment issued by [redacted]

2.1 **Initial Default :** When the account initially became irregular in early 2016, PFS proactively took possible actions under law against [redacted] and/or its promoters and group companies between April 2016 and July 2016. These included notices under the personal and corporate guarantees and notices under the deeds of pledge. PFS also initiated proceedings under Section 138 of the Negotiable Instruments Act, 1881 for dishonor of the PDCs. Due to protracted pressure from PFS for payment of outstanding dues, [redacted] in September 2016, paid an amount of INR 11.53 crs for interest overdue calculated up to August 31, 2016 to PFS.

2.2 **Subsequent Default & efforts made by PFS to recover dues :** [redacted] defaulted again in its payment obligations in respect of dues after August 31, 2016. PFS, therefore, took the following recovery actions:

- Issued legal notices and initiated proceedings under Section 138 of the NI Act for payment defaults committed in respect of dues after August 31, 2016. The case is in Patiala House Court & [redacted] has filed for stay of Sec 138 case in Delhi High Court. Due to impact of Covid- 19, the courts have not been fully functional, and the matter is now listed on 29.11.2021.

PTC India Financial Services Ltd. (CIN L65999DL2006PLC153373)
(A subsidiary of PTC India Limited)
Registered Office: 7th Floor, Telephone Exchange Building, 8 Bhikaji Cama Place, New Delhi - 110 066, India
Board: +91 11 26737300 / 26737400 Fax: 26737373 / 26737374, Website: www.ptcfinancial.com, E-mail: info@ptcfinancial.com

- Served notice under Section 13(2) of the SARFAESI Act, 2002 on NNPIL and its group companies/directors on April 25, 2017 for payment of dues
- Invoked pledge of 14.98% equity shares held by [redacted]) in [redacted] in Jan, 2019, which were with PFS as collateral.
- Filed a petition u/s 7 of IBC in the NCLT in January 2018. However, the Hon'ble NCLT admitted the petition filed by [redacted] u/s 10 of IBC on 18th January, 2018. Consequently, PFS's petition became infructuous as insolvency proceedings commenced.
- Filed its claim with the Independent Resolution Professional (IRP). The IRP held that the value of shares invoked by PFS exceeded the claim filed by PFS and hence IRP did not accept the claim submitted by PFS and did not give PFS a seat in the Committee of Creditors (CoC).
- Aggrieved by this decision of the IRP, PFS filed an appeal in NCLAT, which also rejected PFS's claim. PFS then filed an appeal in the Hon'ble Supreme Court (SC) against the order of the NCLAT, which is pending
- PFS also informed the borrower that in case of continued non payment of PFS's dues, PFS would also carry out Forensic Audit of the account. Subsequently, PFS also appointed an Audit Firm in November 2017 to carry out Forensic Audit of the account. However, due to non-cooperation of [redacted] Interim Resolution Professional (IRP) appointed therein by the NCLT, the Audit Firm could not apply forensic procedures.
- In the meanwhile, [redacted] approached PFS in the month of May 2019 for an out of court settlement. On July 19, 2019, since SC ordered stay on the proceedings, the fact regarding an out-of-court settlement proposal by both parties was also disclosed before the Supreme Court.

3. Forensic Audit carried out by PFS

Since PFS was effectively the sole lender to the project, PFS mandated carrying out of a forensic audit of the borrower by engaging [redacted] a Chartered Accountant firm on 2nd Nov 2017. Shortly after [redacted]'s appointment as a forensic auditor, NNPIL was admitted for "Corporate Insolvency Resolution Process" (CIRP) and therefore, [redacted] approached the Interim Resolution Professional (IRP) for getting the information necessary for the forensic audit. However, IRP and the company were non-cooperative and [redacted] could not get information from the IRP. Though the Auditor could not apply the detailed and comprehensive forensic procedure due to non-availability of even the basic documents, the material available to [redacted] led to suspicion / doubts in relation to the genuineness / bonafide of some transactions in [redacted] as follows. Conclusion of the Forensic Audit Report is given below.

- *The company /interim insolvency professional has frustrated the efforts of PFS for the forensic audit by deliberately evading the pointed queries/replies to questionnaire. The company has submitted only the information which is also available in public domain and the files of PFS. The company has consciously denied access to the books of accounts, correspondence and details relating to their EPC contract awarded to [redacted] which was essentially the central aspect of the entire examination.*
- *Analysis of statement of accounts with the only bank account of Axis bank of the company reveal large funds flows amongst related parties/entities. Transactions with related entities appear to be in the nature of financial transfer of funds to and fro and appear to have been resorted to for meeting the funds requirements at [redacted] and for demonstrating capital infusion.*
- *Loans to related parties/ entities tantamount to diversion of funds.*
- *The group has followed a step up and circular approach using several intermediate layers for share capital of various group companies. All the investor companies and holding companies have very little capital funds. This approach results in concealing the actual source of capital as cause of fund flows.*

PTC India Financial Services Ltd. (CIN: L65999DL2006PLC153373)
(A subsidiary of PTC India Limited)

amongst related parties appear difficult to map for the genuine project expenditure on an Arm's length distance.

- *The company's accounting practices with regard to transactions with [redacted] are not considered commercially prudent. Payment of advance even when the commercial contract and EPC terms have not been finalized and the receipt of advance bearing interest for the company appear to be strange and prejudicial to the interests of the company.*
- *Continuation of advance against an undefined EPC contract and advance by them to the company and subsequent adjustments made in the account appear to be quid pro arrangements.*

The above conclusion made by the forensic auditor is based on data available on the public domain including the information sourced from the official website of MCA, [redacted] and the information provided by PFS from its official files. The Auditor has assumed such information to be reliable and correct in all material aspects.

Forensic Auditor in its report has mentioned certain limitations which are mentioned at para 1.4 of forensic audit report

Further in its report the forensic auditor also mentioned about the utilization of the Bridge loan. The Auditor had mentioned that it could not ascertain the exact utilization of the loan amount as no audit trail existed in respect of certain items which were supposed to have been incurred out of the disbursement from PFS. As such, the loan from PFS appears to have been utilized for other purposes.
Forensic auditor in its report suggested the following:

PFS may also examine the pros and cons of changing the resolution professional in view of his not providing the information asked by us for the forensic audit

1. *In view of the recalcitrant attitude of the company in providing information, PFS may also consider by enforcing the forensic procedure on the company through intervention of NCLT.*
2. *The transaction between NNIPL and TPL need to be examined under the provision of IBC code under:*
   i. *Preferential transaction under section 43*
   ii. *Undervalued transaction under section 45*

Further, any action by PFS, whether on the basis of the suggestion in the Forensic Audit Report or otherwise, was dependent upon PFS first being recognized as a Financial Creditor of NNIPL by getting a seat in the 'Committee of Creditors' (CoC). Till the time PFS is not considered as a Financial Creditor, it would have no ground to take action against IRP under IBC or even otherwise. Therefore, PFS was not in a position either to seek the change of IRP or to seek intervention of NCLT to insist on the forensic study at that time. In fact, as per the current orders of NCLT and NCLAT, read with the valuation report of Karvy, PFS is no more a Financial Creditor to NNIPL. Copy of the Audit Report from M/s GSA is placed at Annexure – 'A'.

4. **One Time Settlement (OTS) Offer from the Holding Company:**

[redacted] the holding company of NNIPL submitted a One Time Settlement (OTS) offer on 2nd May 2019. A revalidated offer was submitted vide email / letter dated 29th July 2020 along with EMD of Rs 4.5 Crs. The final OTS offer was of Rs 90 Crs. Out of the total consideration, 30% i.e. Rs 27 Crs inclusive of EMD was to be paid before the execution of Settlement Agreement (SA), and the balance of Rs 63 Crs was to be paid in tranches within 270 days from the date of SA. Interest would be payable on the OTS amount on reducing balance basis as per the prevalent PFS's Benchmark Rate. All the securities with PFS were to be released after the payment of the entire OTS amount. Further, the promoter would submit fresh PDCs before signing of the SA.

The OTS offer of [redacted] was discussed in the meeting of Business Committee of the Board of Directors on 17th October 2020. The Committee desired that PFS may further negotiate with the borrower/ promoter to increase the offer amount and reduce the payment period. However, the borrower / promoter cited their inability to either increase the OTS offer or reduce payment time period. The proposal was again put up by PFS Management for discussion in the 2nd meeting of the Business Committee along with the submission of the Forensic Audit Report conducted by [redacted]

In the 130th Board meeting of PFS, held on 19th December 2020, the matter related to the inconclusive forensic report on [redacted] was discussed. Legal opinions obtained by PTC and by PFS Management were also placed before the Board (copies placed at Annexure 'B' & 'C'). After detailed discussions, the PFS Board constituted a Committee of two Independent Directors to examine the matter.

The committee called for relevant papers and documents from PFS (placed at Annexure 'D') and also discussed the matter with the concerned officers. The information /clarification provided by the PFS management is placed at Annexure E (part 1 to 5). Additional points forwarded by the PFS management for the consideration of the committee are placed at Annexure F.

The Committee's Report is placed at Annexure 'G'. The Committee concluded among others that "The Audit Committee and the Board may consider giving directions to the Management of PFS for reporting the suspected fraud in the case of [redacted] at this stage to RBI and to take further necessary steps as required in this matter".

After going through the Report, PFS's management prepared further additional points (copy placed at Annexure 'H') alongwith an opinion from eminent jurist and former Chief Justice of India Justice [redacted] (Copy placed at Annexure 'I').

The Committee's Report was placed in the 133rd meeting of PFS's Board held on 17th May 2021. Members of the Board discussed various aspects of the matter. The decisions relating to the account are summarized as follows:

- *The matter should be reported to RBI as a suspected fraud, the reporting to be done by the management in consultation with the audit committee. In parallel the Borrower should be requested to supply the necessary documents so that the forensic audit could be completed early.*
- *A view on the OTS offer by the promoters of [redacted] be taken only after the response is received from RBI on the matter, and a conclusive forensic audit report is available.*

5. The above matter of suspected fraud and developments in the instant case and status of one time settlement is being informed to RBI. PFS shall also be taking steps to complete the Forensic Audit as directed by the Board. PFS will await the guidance of RBI, before considering and initiating further steps on the One Time Settlement offer.

6. Further, PFS has made a provision of Rs 125 Crores in the account i.e. 100 % of the principal outstanding.

Yours sincerely,

[redacted]

Agenda on RBI Inspection

PTC INDIA FINANCIAL SERVICES LTD.

NEW DELHI

MEMORANDUM FOR THE BOARD MEETING

AGENDA ITEM NO. 134.22

Sub: RBI Supervisory letter, Inspection and Risk Assessment Report for the FY2020

An inspection under Section 45N of the RBI Act, 1934 was carried out from January 06, 2021 to January 18, 2021 with reference to its financial position as on March 31, 2020 by RBI inspection team.

Supervisory concerns were submitted to company vide letter dated June 4, 2021 and advised to place this letter to Board within 30 days of receipt of letter.

Risk Assessment Report (RAR) and the Inspection Report (IR) for the company were submit vide letter dated May 12, 2021 and advised the company to:

1. Place both the reports to Board in next meeting.
2. Instances of non-compliance with regulatory guidelines / directives brought out in the report may be rectified forthwith and a certificate to that effect may be submitted within 45 days from the date of this letter.
3. The compliance to majority of the observations made in the RAR and IR should be furnished within sixty days from the date of receipt of this letter. Regarding remaining observations, compliance should be furnished within outer limit of 45 days in consultation with the SSM.
4. To discuss in detail and finalise a Board approved plan for mitigation of risks and redressal of observations as detailed in the reports. The plan may also list the specific and auditable milestones and along with the progress report on its implementation it may be furnished to RBI, when called for.

The summary of the key observation, along with the action plan and timeline, is placed in Annexure – A. Detailed report is placed as Annexure – B.

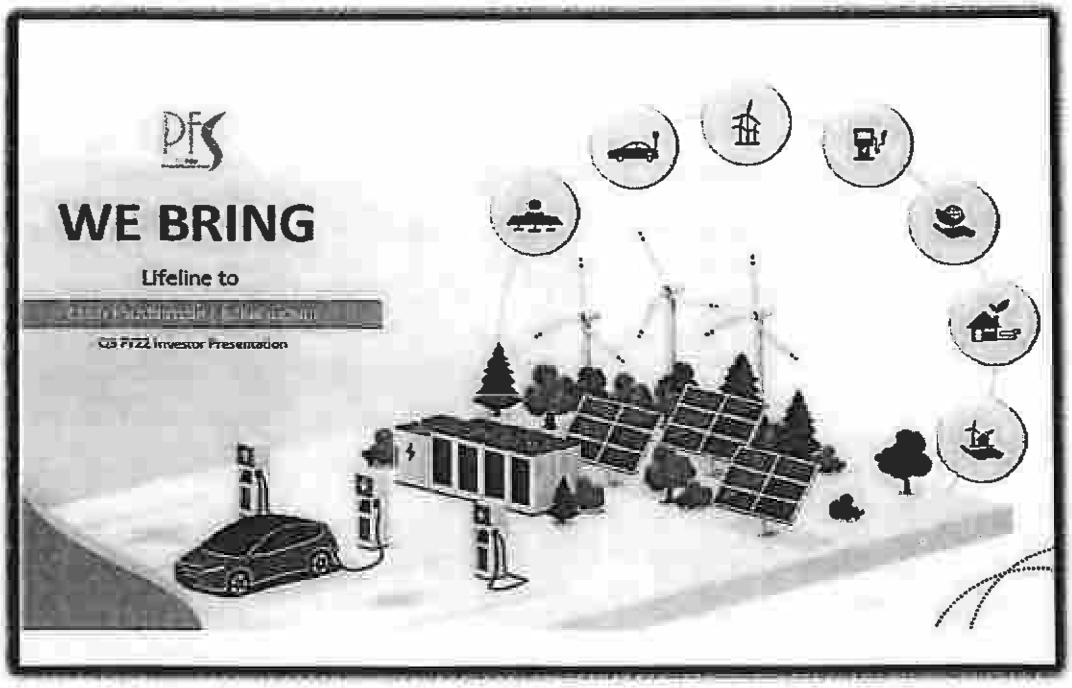
As a process, post issue of Inspection Report and Risk Assessment Report, RBI may issue supervisory letter and same will be placed to Board upon receipt of letter.

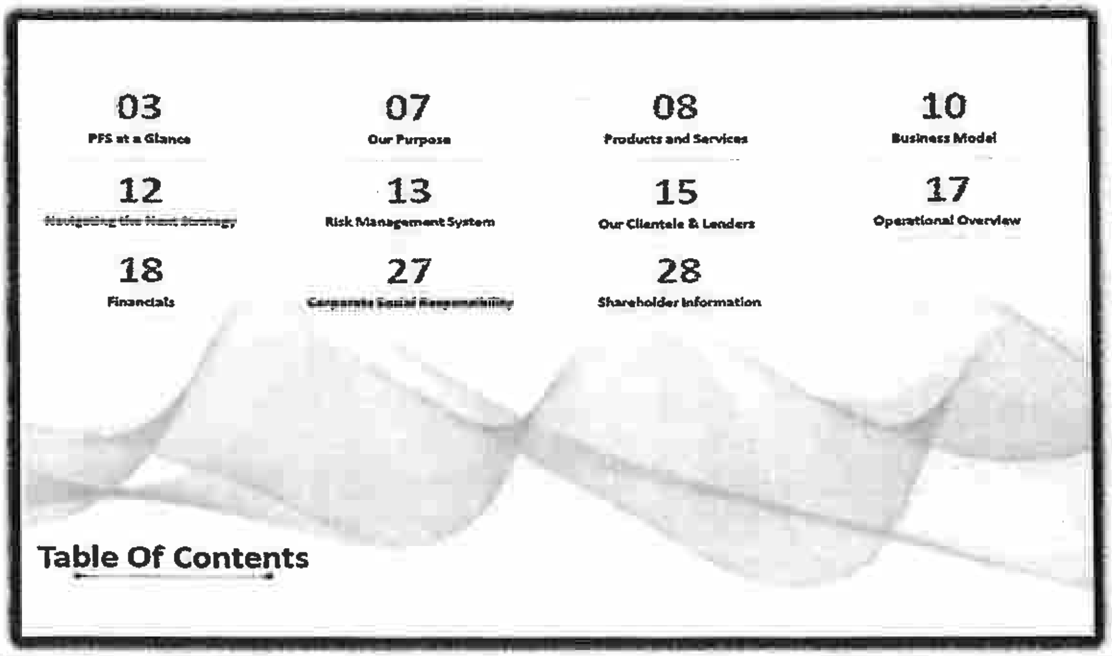
The plan for mitigation and redressal of observation is being submitted to Board for consideration and approval.

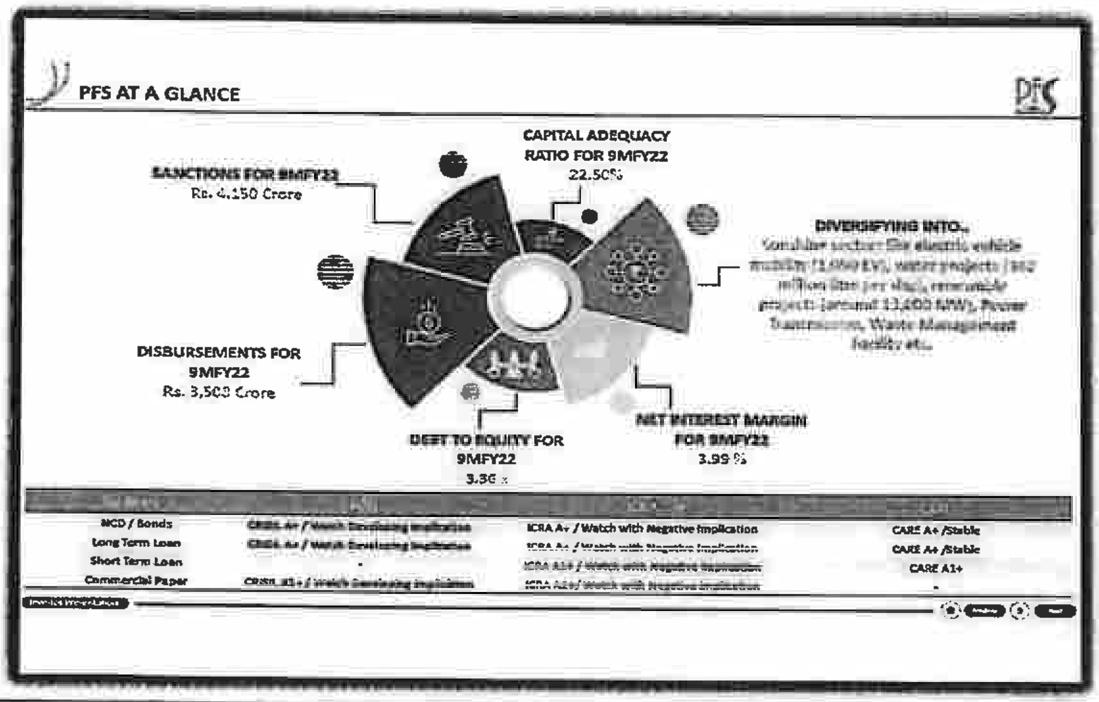
The agenda has been approved by MD & CEO.

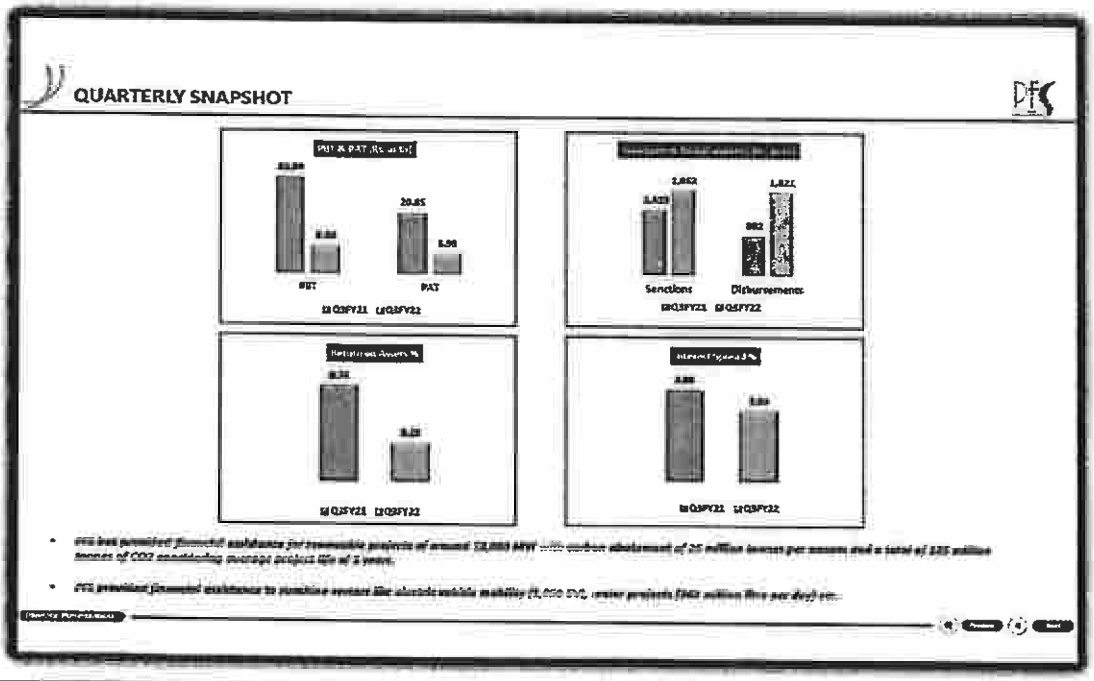
[redacted]
CFO

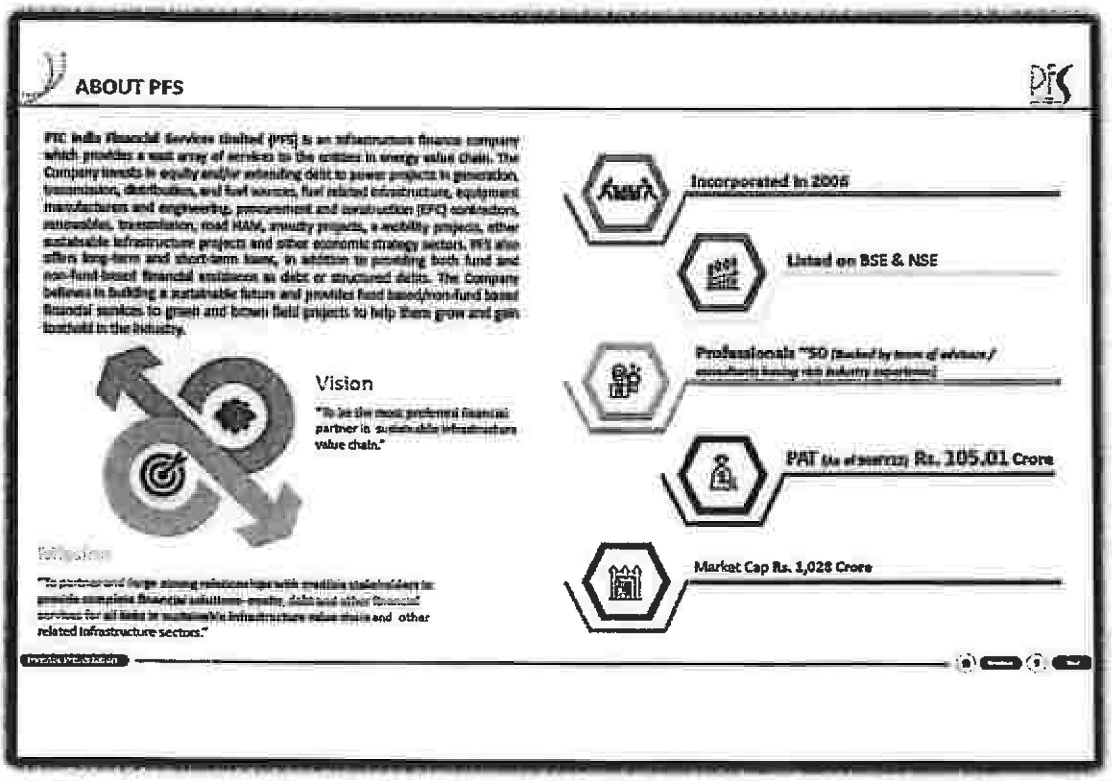
Presentation to PTC RMC

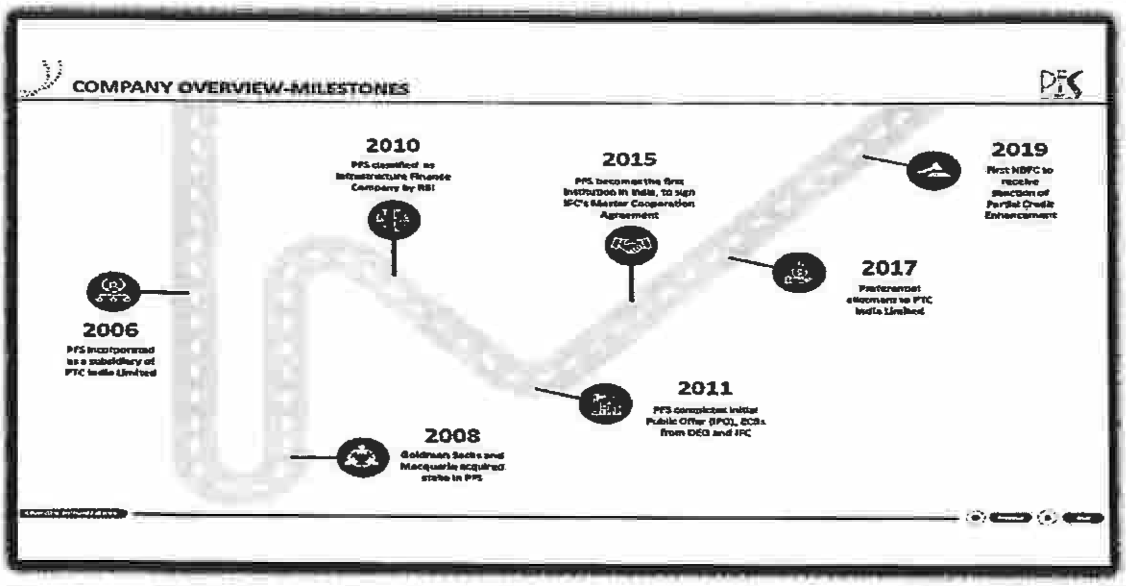


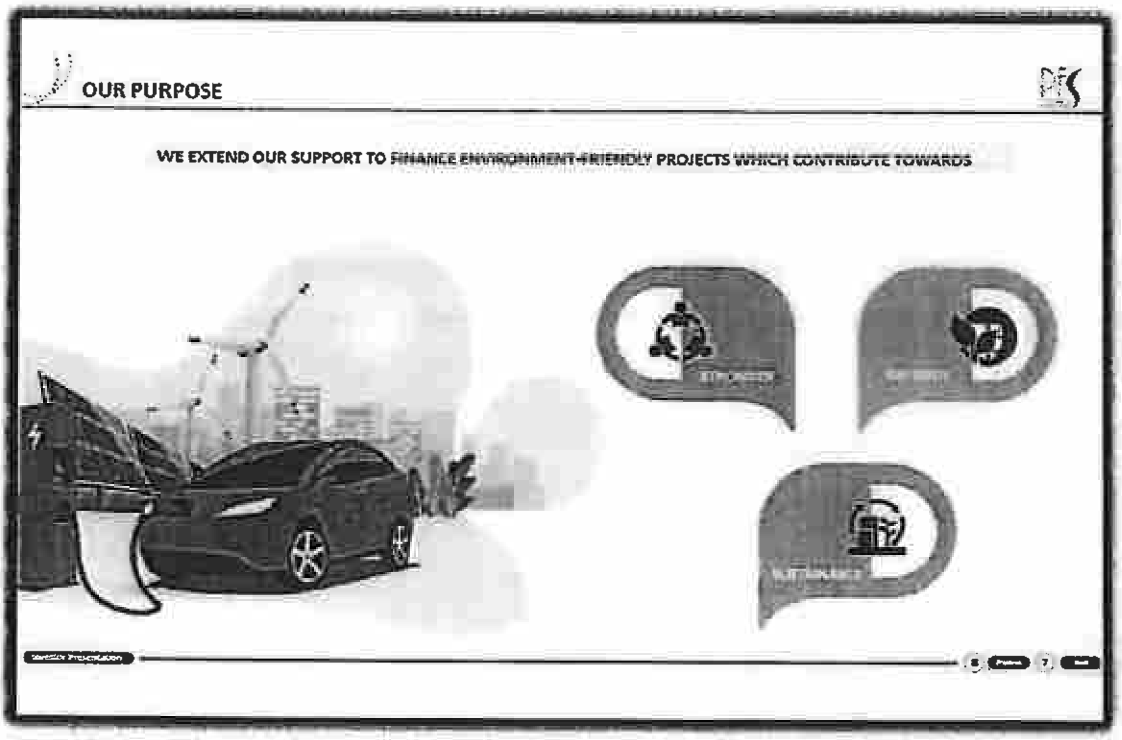


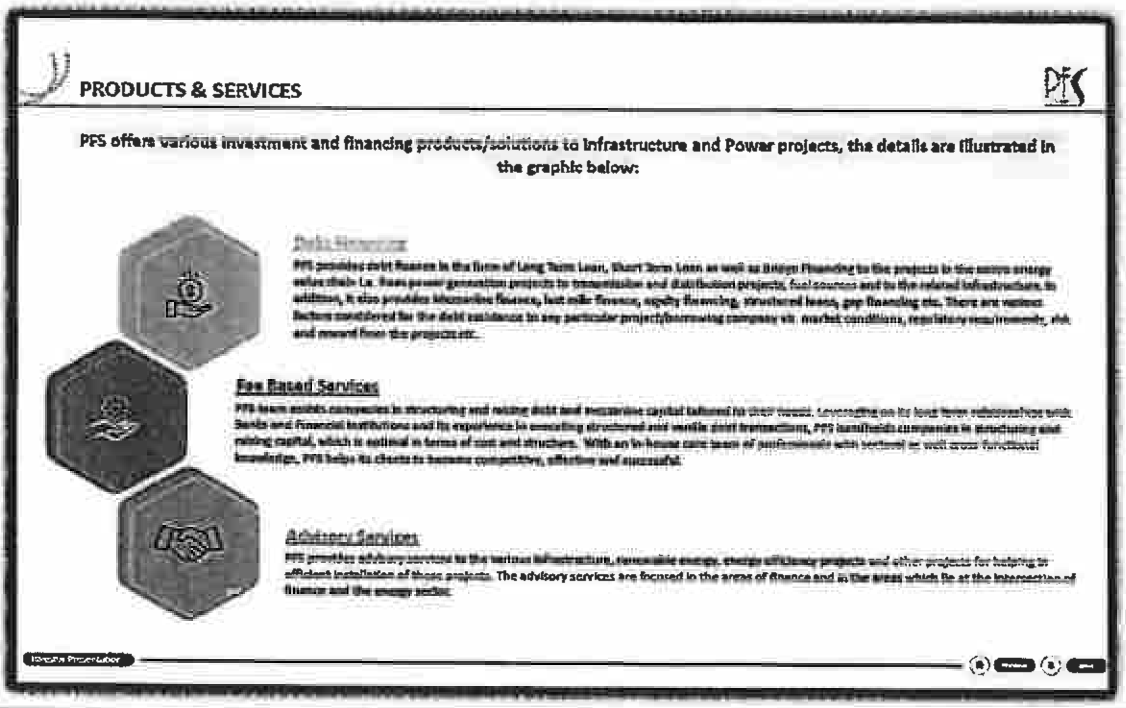

PFS AT A GLANCE
CAPITAL ADEQUACY RATIO FOR 9MFY22
22.50%
Rs. 4,150 Crore
DISBURSEMENTS FOR 9MFY22
Rs. 3,503 Crore
9MFY22
3.36 x
3.99 %
NCD / Bonds
Long Term Loan
Short Term Loan
Commercial Paper
ICRA A+ / Watch with Negative Implication
CARE A+ /Stable
CARE A+ /Stable
CARE A1+

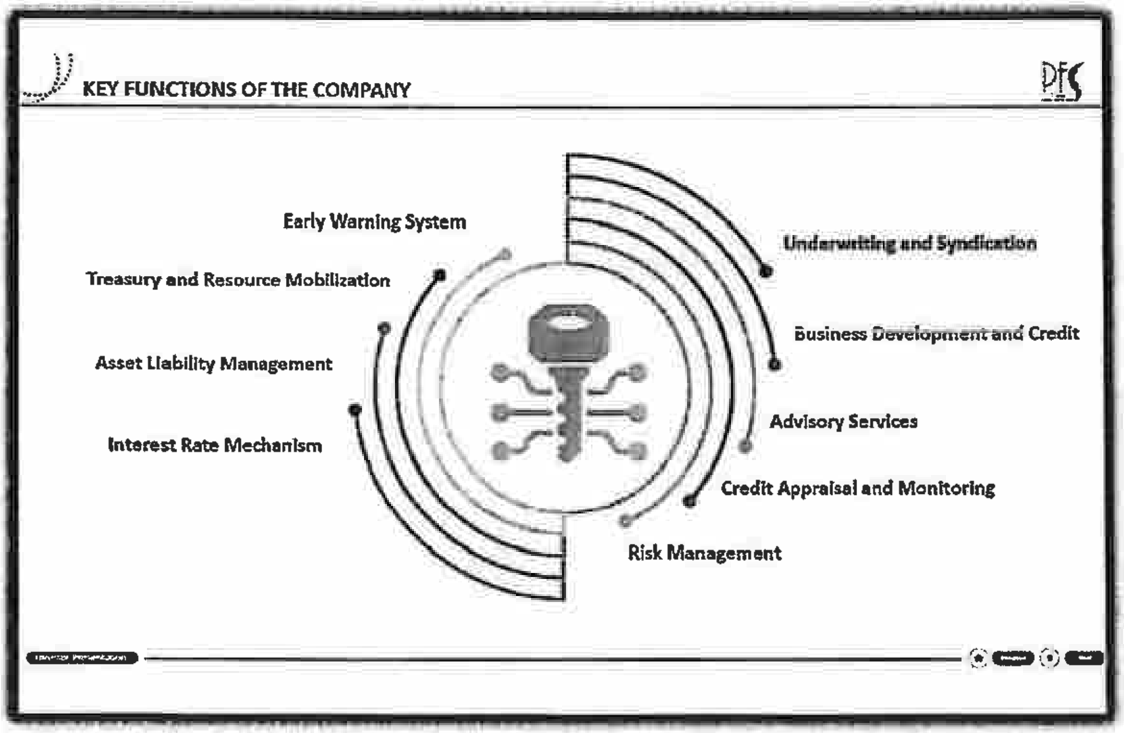

QUARTERLY SNAPSHOT
Sanctions
Disbursements

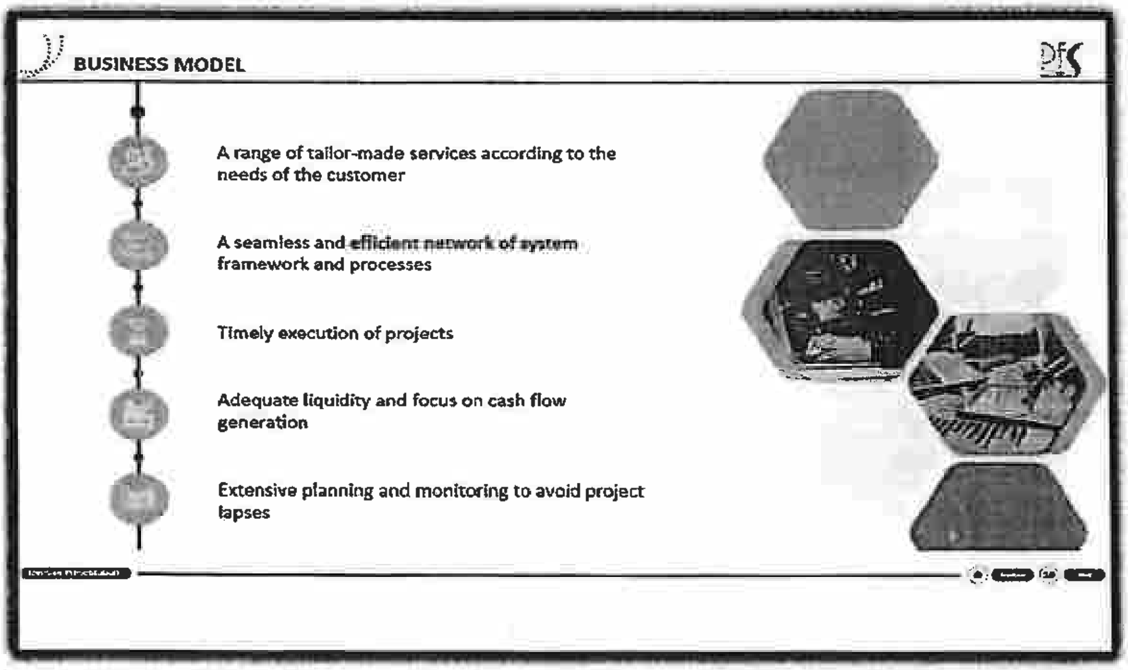

ABOUT PFS
PFS
Vision
value chain."
related infrastructure sectors."
Incorporated in 2006
Listed on BSE & NSE
Professionals ~50
PAT Rs. 105.01 Crore
Market Cap Rs. 1,028 Crore

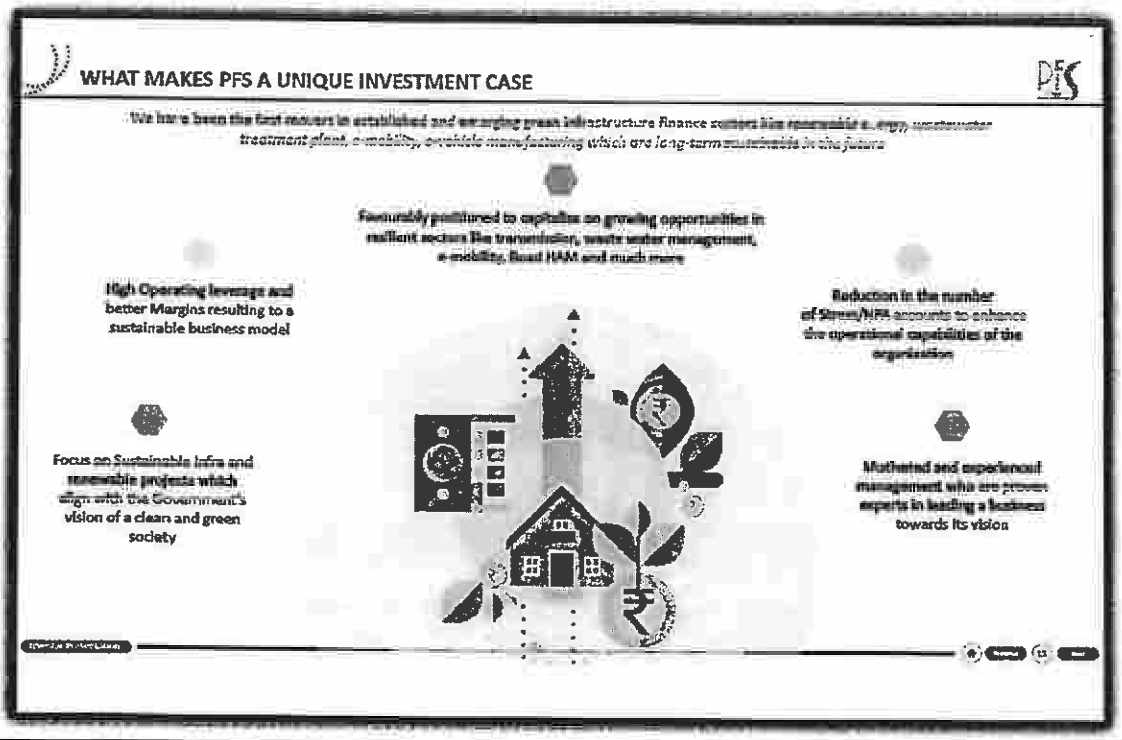

COMPANY OVERVIEW-MILESTONES
PFS
2006
PFS incorporated as a subsidiary of PTC India Limited
2008
Goldman Sachs and Macquarie acquired stake in PFS
2010
PFS classified as Infrastructure Finance Company by RBI
2011
PFS completed Initial Public Offer (IPO), ECBs from DEG and IFC
2015
PFS became the first institution in India, to sign IFC's Master Cooperation Agreement
2017
Preferential allotment to PTC India Limited
2019
First NBFC to receive Sanction of Partial Credit Enhancement

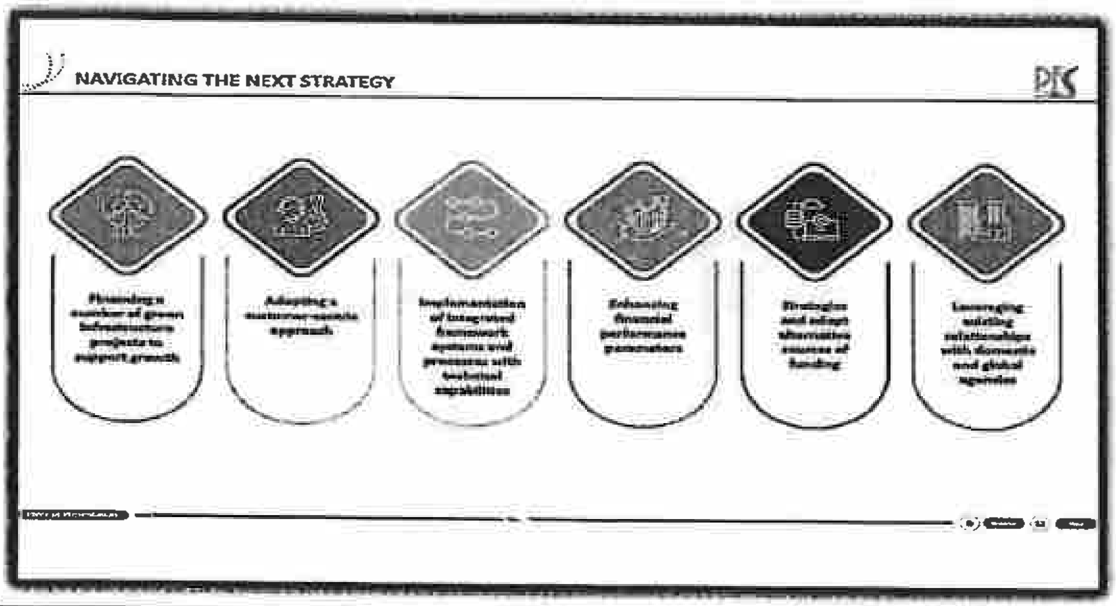

OUR PURPOSE
PFS
WE EXTEND OUR SUPPORT TO FINANCE ENVIRONMENT-FRIENDLY PROJECTS WHICH CONTRIBUTE TOWARDS

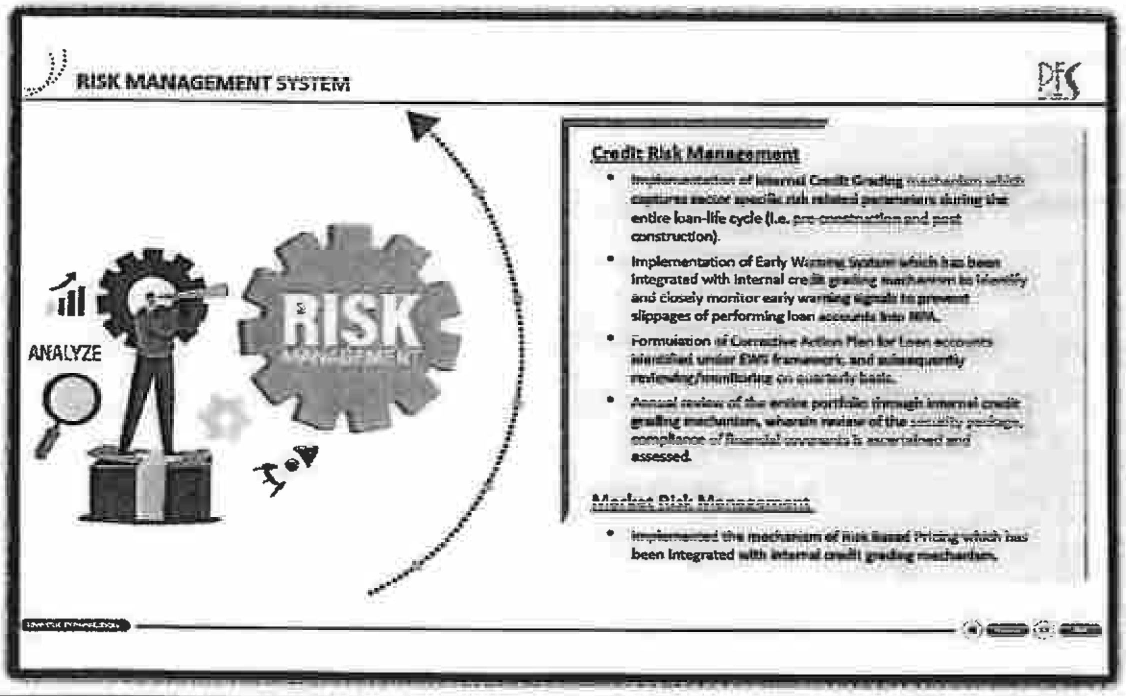

PRODUCTS & SERVICES
PFS
PFS offers various investment and financing products/solutions to Infrastructure and Power projects, the details are illustrated in the graphic below:
Fee Based Services
Advisory Services
The advisory services are focused in the areas of finance and in the areas which lie at the intersection of finance and the energy sector.

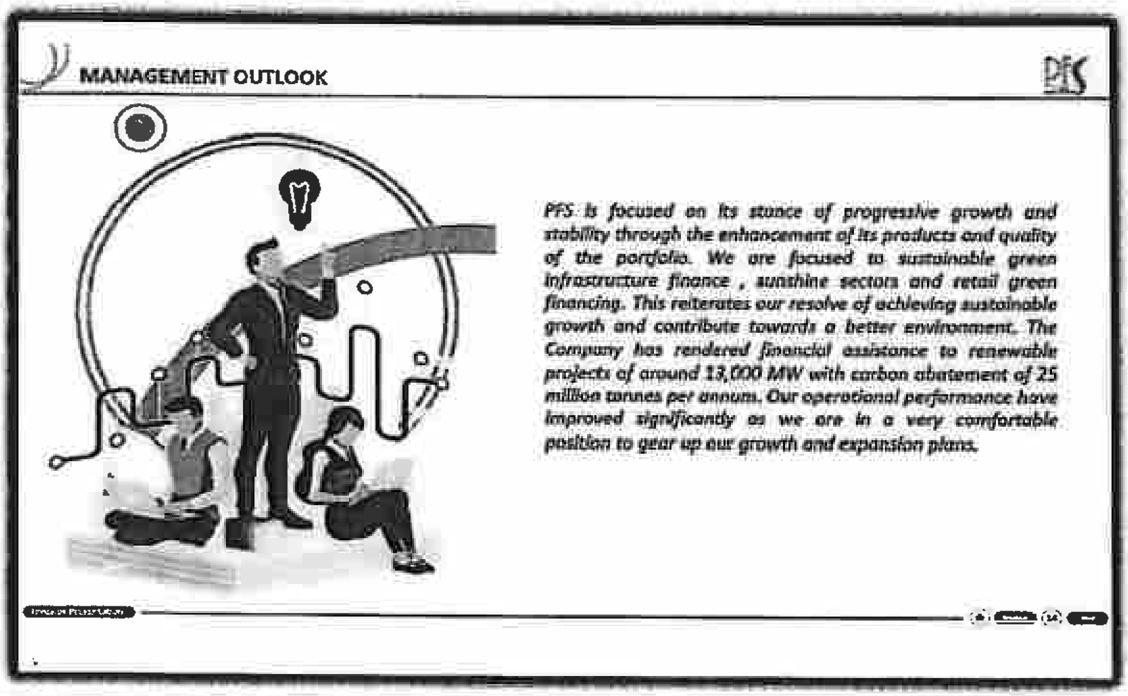

KEY FUNCTIONS OF THE COMPANY
PFS
Early Warning System
Treasury and Resource Mobilization
Asset Liability Management
Interest Rate Mechanism
Underwriting and Syndication
Business Development and Credit
Advisory Services
Credit Appraisal and Monitoring
Risk Management

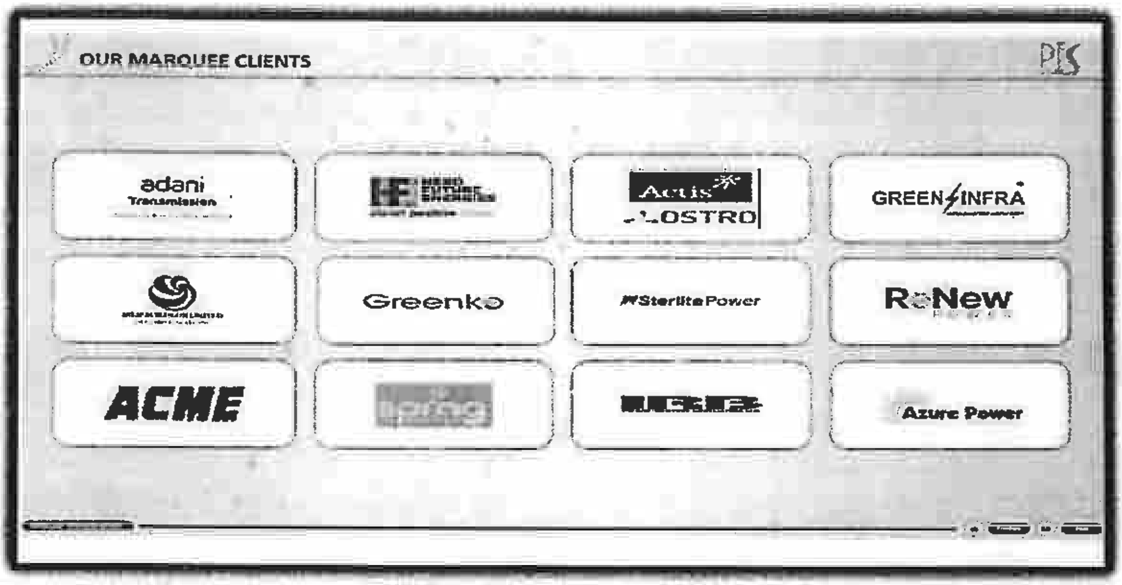

BUSINESS MODEL
PFS
A range of tailor-made services according to the needs of the customer
A seamless and efficient network of system framework and processes
Timely execution of projects
Adequate liquidity and focus on cash flow generation
Extensive planning and monitoring to avoid project lapses

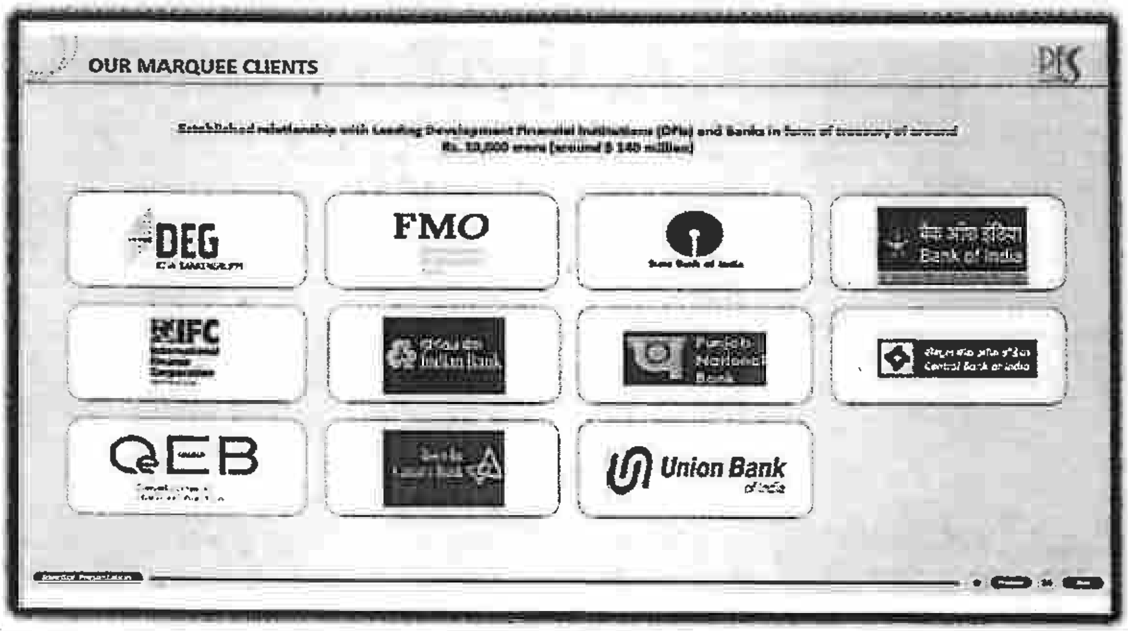

WHAT MAKES PFS A UNIQUE INVESTMENT CASE
High Operating leverage and better Margins resulting to a sustainable business model
vision of a clean and green society
towards its vision

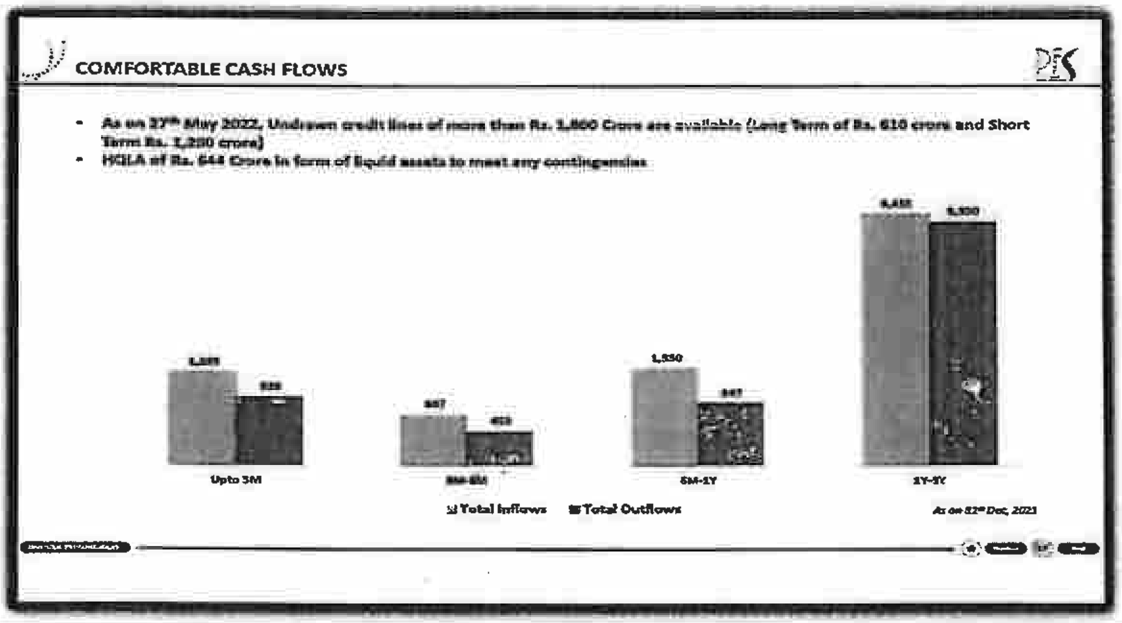

NAVIGATING THE NEXT STRATEGY

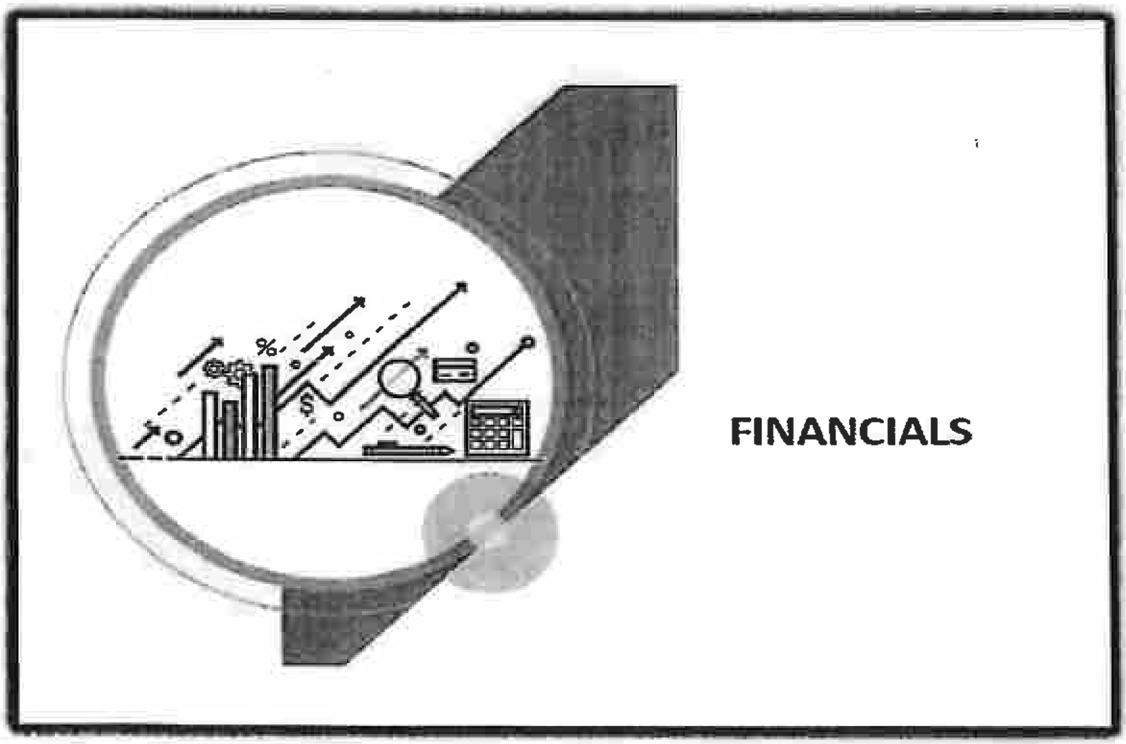

RISK MANAGEMENT SYSTEM
PFS
ANALYZE
RISK
MANAGEMENT
Credit Risk Management
Implementation of Internal Credit Grading mechanism which captures sector specific risk related parameters during the entire loan-life cycle (i.e. pre-construction and post construction).
Implementation of Early Warning System which has been integrated with internal credit grading mechanism to identify and closely monitor early warning signals to prevent slippages of performing loan accounts into NPA.
Formulation of Corrective Action Plan for Loan accounts identified under EWS framework, and subsequently reviewing/monitoring on quarterly basis.
Annual review of the entire portfolio through internal credit grading mechanism, wherein review of the security package, compliance of financial covenants is ascertained and assessed.
Market Risk Management
Implemented the mechanism of Risk Based Pricing which has been integrated with internal credit grading mechanism.


MANAGEMENT OUTLOOK
PFS
PFS is focused on its stance of progressive growth and stability through the enhancement of its products and quality of the portfolio. We are focused to sustainable green infrastructure finance , sunshine sectors and retail green financing. This reiterates our resolve of achieving sustainable growth and contribute towards a better environment. The Company has rendered financial assistance to renewable projects of around 13,000 MW with carbon abatement of 25 million tonnes per annum. Our operational performance have improved significantly as we are in a very comfortable position to gear up our growth and expansion plans.


OUR MARQUEE CLIENTS
adani
Transmission
GREEN INFRA
Greenko
SterlitePower
ReNew
ACME
Azure Power


OUR MARQUEE CLIENTS
DEG
FMO
Bank of India
IFC
Central Bank of India
Union Bank


COMFORTABLE CASH FLOWS
1,550
Upto 3M
6M-1Y
Total Inflows
Total Outflows


FINANCIALS

KEY BALANCE SHEET INDICATORS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1,852	541	1,419	Loan Sanctioned (Rs. Crs)	4,150	1,769
1,821	433	882	Loan Disbursed (Rs. Crs)	3,508	1,316
9,836	9,632	10,972	Outstanding Credit (Rs. Crs)	9,836	10,972
36	343	351	Non fund based (Rs. Crs)	36	351
22.50	26.06	23.33	Capital Adequacy Ratio (%)	22.50	23.33

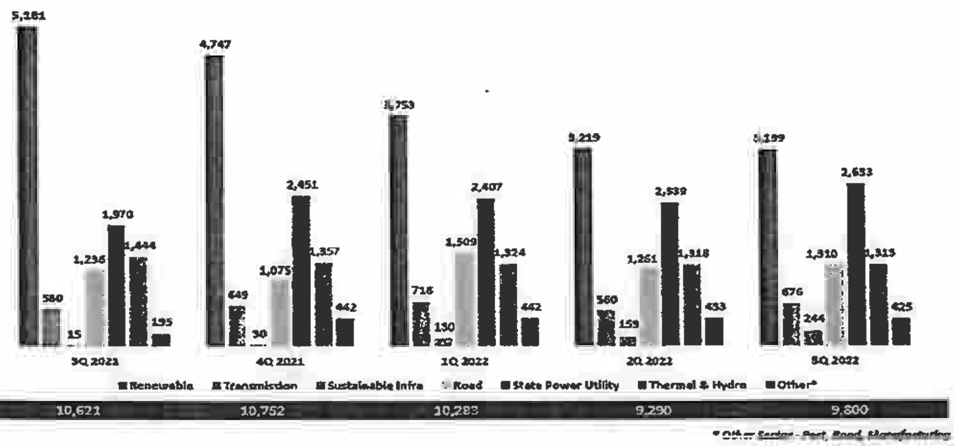
KEY OPERATIONAL INDICATORS

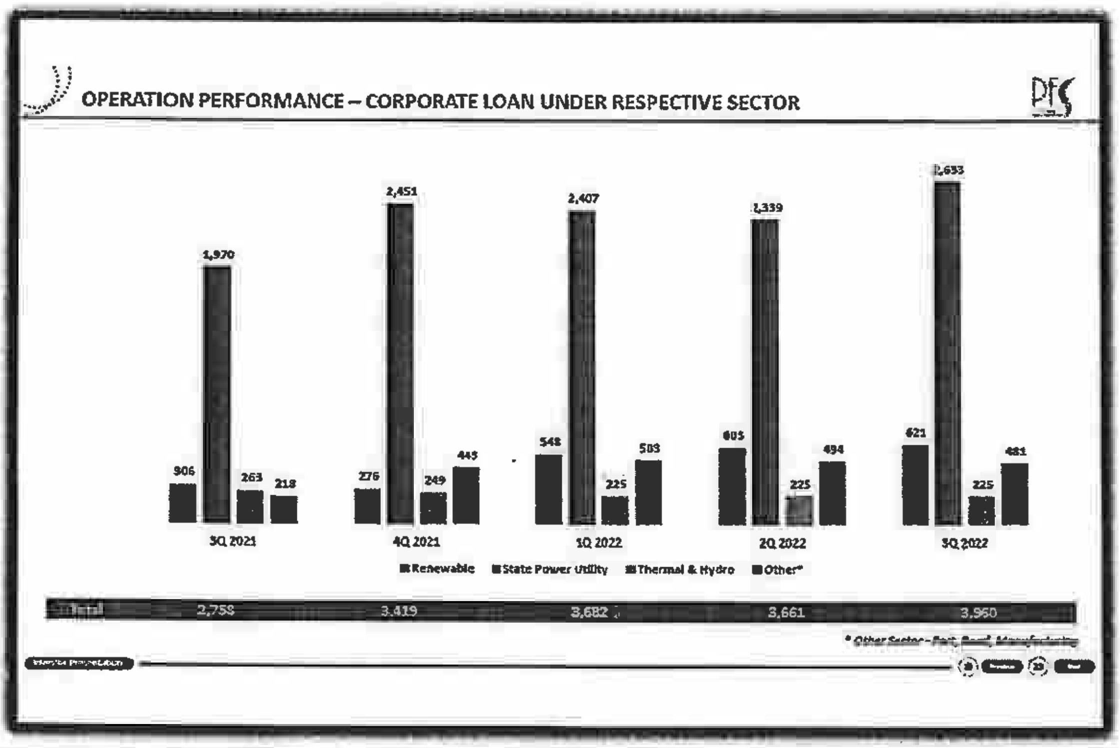
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
88.56	89.60	76.23	Net Interest Income (Rs. Crs)	257.47	256.44
10.34	10.57	11.25	Yield on Earning Loan (%)	10.62	11.33
7.54	7.58	8.39	Cost of borrowed funds (%)	7.60	8.56
2.80	2.99	2.86	Interest Spread (%)	3.02	2.77
4.02	4.14	3.84	Net Interest Margin (%)	3.99	3.53
0.11	0.82	0.32	Earnings Per Share (Rs.)	1.63	1.23
11.23	12.16	13.54	Cost to Income Ratio (%)	11.22	11.48
3.36	3.21	4.09	Debt Equity Ratio (%)	3.36	4.09
1.24	9.52	3.85	Return on Networth (%)	6.41	4.94
0.29	2.20	0.74	Return on Assets (%)	1.31	0.94

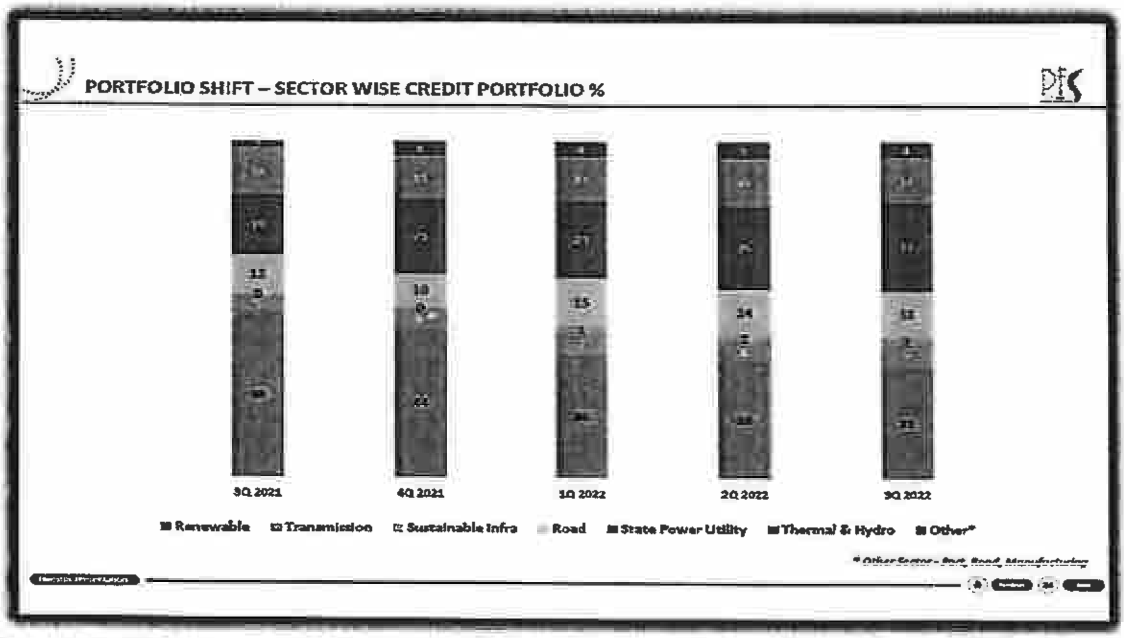
RESULTS OVERVIEW

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
224.39	232.85	260.30	Interest Income	702.44	842.57
241.09	242.34	269.39	Total Income	737.38	864.91
135.83	143.55	184.07	Interest and financial charges	444.97	586.13
83.61	17.03	40.91	Provision and contingencies	118.94	122.55
12.16	11.80	11.51	Other operating expenses	33.08	32.26
231.60	172.37	236.49	Total expenses	596.99	740.95
9.49	69.96	32.90	Profit before tax	140.39	123.96
2.56	17.49	12.05	Tax expense (including deferred tax)	35.38	44.69
6.93	52.47	20.85	Profit after tax	105.01	79.27

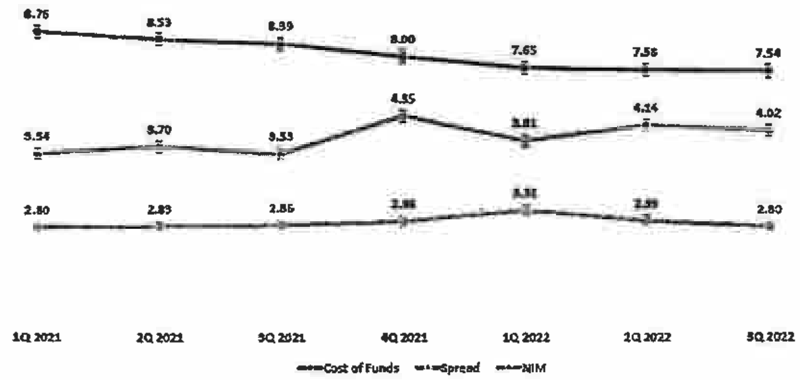
OPERATION PERFORMANCE – SECTOR WISE OUTSTANDING




OPERATION PERFORMANCE – CORPORATE LOAN UNDER RESPECTIVE SECTOR
306
1,970
263
218
3Q 2021
276
2,451
249
445
4Q 2021
548
2,407
225
503
1Q 2022
603
2,339
225
494
2Q 2022
621
2,633
225
481
3Q 2022
Renewable
State Power Utility
Thermal & Hydro
Other*
Total
2,758
3,419
3,682
3,661
3,960
* Other Sector - Port, Road, Manufacturing

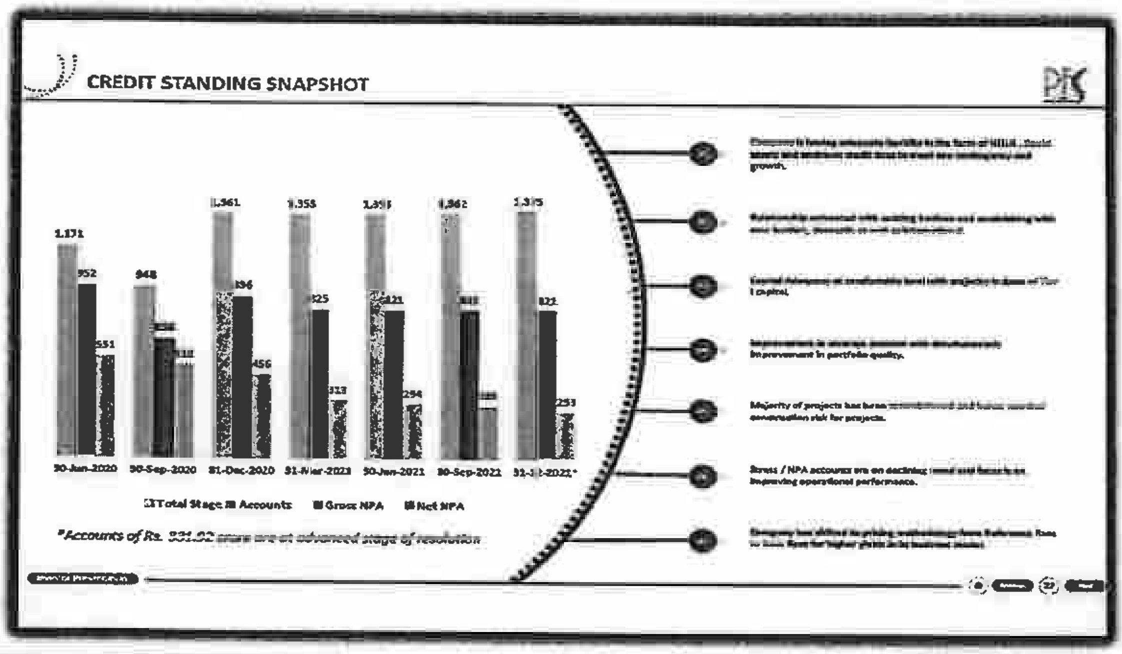

PORTFOLIO SHIFT – SECTOR WISE CREDIT PORTFOLIO %
3Q 2021
4Q 2021
1Q 2022
2Q 2022
3Q 2022
Renewable
Transmission
Sustainable Infra
Road
State Power Utility
Thermal & Hydro
Other*

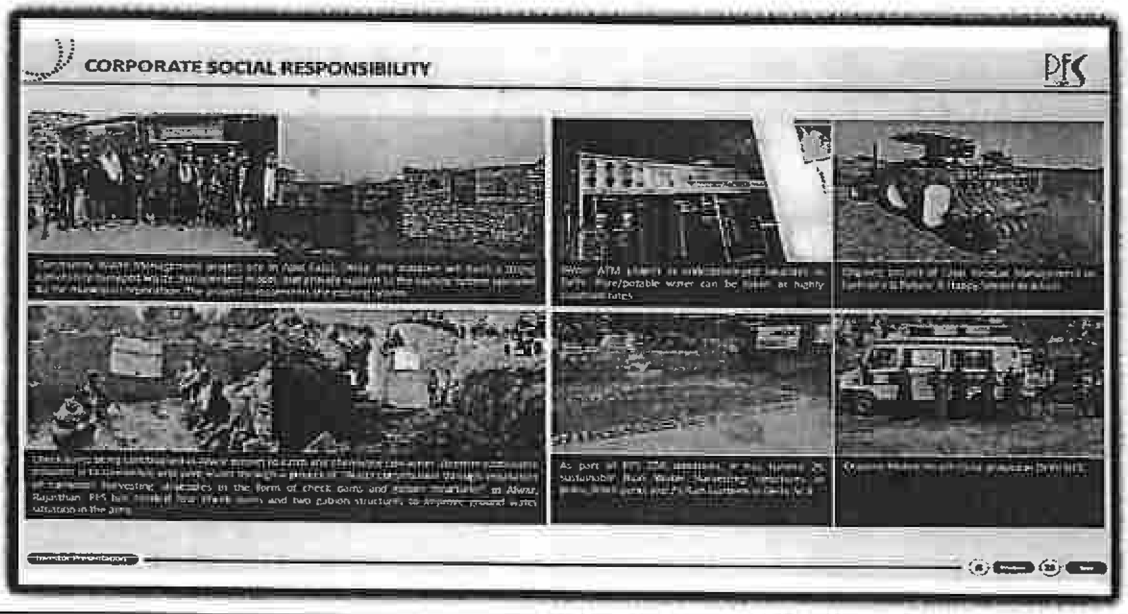
NIMS / SPREAD DRIVEN BY CONSISTENT IMPROVEMENT ON OPERATIONAL PARAMETERS ON EARNING BOOK PORTFOLIO

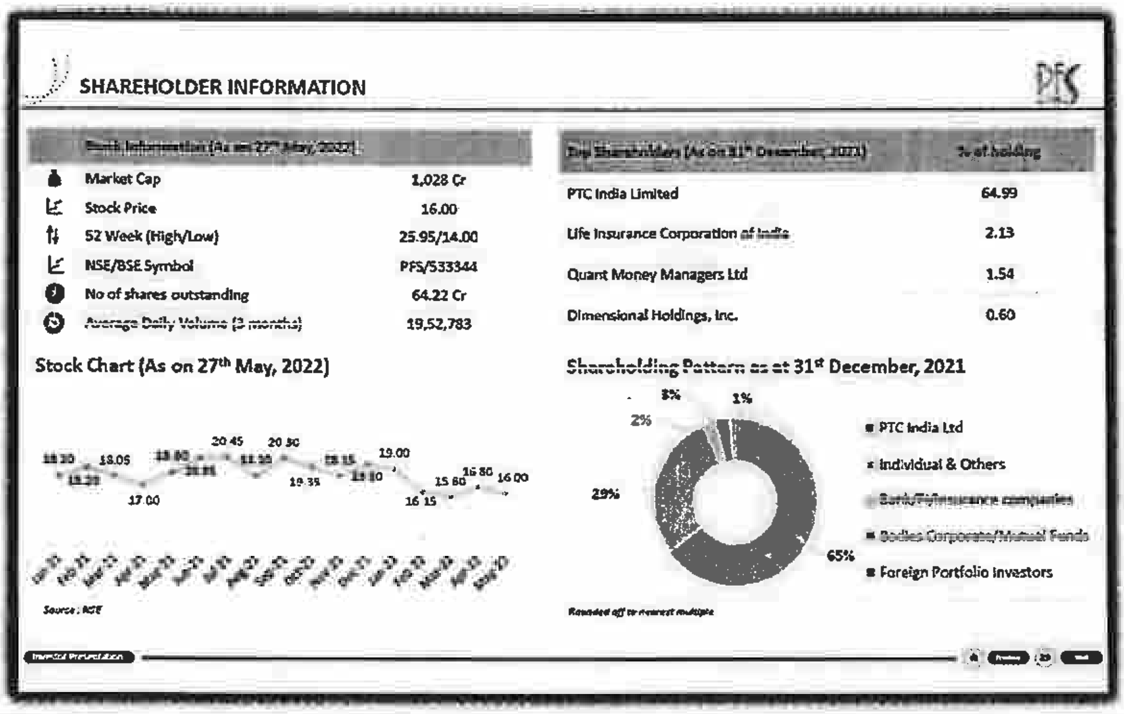


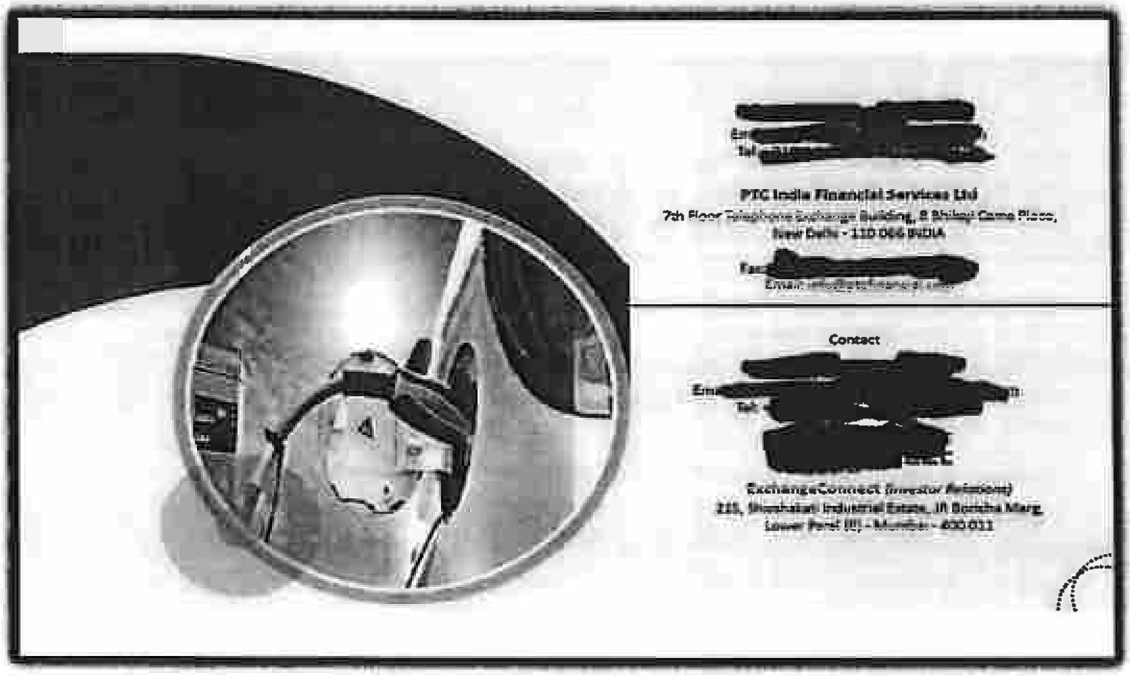
STAGE III AS ON DECEMBER 31, 2021

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Athena Chhattisgarh Power Limited	189.51	170.98	18.53	8.91
Danu Wind Park Private Limited	325.45	28.40	297.05	71.97
ICOMM Tele Ltd	2.65	0.03	2.62	1.68
IL&FS Tamil Nadu Power Company Limited	228.54	91.70	136.84	136.84
Konaseema Gas Power Limited	100.00	83.42	16.58	16.58
KSK Mineral Resources Private Limited	42.66	21.66	21.00	-
Meenakshi Energy Private Limited	150.00	87.27	62.73	17.77
NRSS XXXVI Transmission Limited	206.92	74.48	132.44	24.83
NSL Nagapatnam Power & Infratech Private Limited	125.00	125.00	-	-
Varam Bio-energy Pvt Ltd	4.29	4.29	-	-
Total	1,375.01	687.22	687.79	278.58


CREDIT STANDING SNAPSHOT
30-Jun-2020
30-Sep-2020
31-Dec-2020
31-Mar-2021
30-Jun-2021
30-Sep-2021
Total Stage III Accounts
Gross NPA
Net NPA


CORPORATE SOCIAL RESPONSIBILITY


SHAREHOLDER INFORMATION
Market Cap 1,028 Cr
Stock Price 16.00
52 Week (High/Low) 25.95/14.00
NSE/BSE Symbol PFS/533344
No of shares outstanding 64.22 Cr
19,52,783
PTC India Limited 64.99
Life Insurance Corporation 2.13
Quant Money Managers Ltd 1.54
Dimensional Holdings, Inc. 0.60
Stock Chart (As on 27th May, 2022)
31st December, 2021
PTC India Ltd
Individual & Others
Foreign Portfolio Investors
65%
29%
2%
1%


[redacted]
PTC India Financial Services Ltd
[redacted]
Contact
[redacted]

D1: Annexures (including exhibits)

D(1)(a) to D(1)(f), D2(a) to D(2)(b), D(3)(a) to D(3)(c), D(4)(a) to D(4)(c) and D(5)

Reference	Management comment
D(1)(a)	• In accordance with the approved organization structure of the Company, the Ex Company Secretary was neither functional head nor administrative head of the legal department. The understanding of Sh. Deepak Amitabh, the then Chairman, was incorrect. • CNK has itself confirmed in the observation above under heading "Background" that Head of Department is Whole-Time Directors. • As per DoP of PFS, M4 level officer i.e. Whole Time Director is the head of the department (extract of the DoP is placed at Exhibit D(1)(a).1). Further, as per HR Office order No. 6/2018, the legal department, inter-alia, was allocated to Director (Operations) (Office order is placed at Exhibit D(1)(a).2). • Therefore, the functional and administrative heads in PFS are at the level of M4 and accordingly, Director (Operations) was the functional and administrative head for the legal function. Accordingly, all legal files were routed through Director Operations. • Any practice of routing the loan document/ security creation files through Company Secretary cannot be considered as per the Board approved delegation of power. • As per the Board minutes and also the background provided by CNK team, the Board had expressed its views that all the matters related to legal may be handled by the Company Secretary. This was **neither a direction nor a decision of the Board.** • After the Board expressed its views, it is recorded that MD&CEO had stated in the same meeting that he would discuss the matter with nominee director of PTC separately (Exhibit D(1)(a).3). Accordingly, the matter was discussed by MD&CEO with the nominee director. • MD&CEO informed that there was an informal arrangement since long, by which Vishal Goyal, the then Company Secretary was looking informally at the legal files. There cannot bean informal arrangement. • [redacted] Independent Director mentioned that there should be one Head of Legal and anybody handling legal matters should report to Head of Legal. It is re-iterated tha[redacted], Director Operations was the Head of Legal and Vishal Goyal was reporting to him for litigation matters and Mohit Seth was reporting to him for loan documentation • MD&CEO informed that he will speak with Nominee Director of PTC and Mr. [redacted], the then Chairman confirmed that we are only suggesting and ultimately, the choiceis yours. • Accordingly, this is not a corporate governance matter since • [redacted] Director Operations was Head of Legal at that time

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	• Chairman confirmed that he was only making a suggestion and final choice will be of MD&CEO. • The comments made by CNK team are factually incorrect and there were no violations of Board's directives. It is inappropriate to abet on the informal arrangement of routing files by forensic auditor. • It may be mentioned that the Board's view that the Company Secretary is also the Head of Legal Department is incorrect. The Delegation of Power approved by Board and also confirmed by CNK clearly states that Head of Department are the Whole-Time Directors. Ex Company Secretary was not the Whole-Time Director. • This observation is irrelevant / redundant because it does not establish or indicate any material impact on the financials of the Company. As per the agreed Engagement letter, CNK was required *"to ascertain the veracity of the issues raised by the Independent Directors of the Company in resignation letter/s dated 19th January 2022 having material impact on the company"*. Further, *"Material Impact" means any event which result in material adverse impact on financial position on the accounts of PFS and performed with sole motive of malafide intention / fraud wherein any such critical information was not disclosed to Audit Committee or Board and is in contravention of PFS policies or directions of the Board or statutory requirement, having significant impact on decision making related to such project/proposal"*. • The observation of CNK is not related to adverse impact on financial reporting, any fraud or malafide intention on part of management wherein any such critical information was not disclosed.
D(1)(b)	• CNK has itself confirmed in the observation above under heading "Background" that Head of Department is Whole-Time Directors. • As already clarified in response to observation D(1)(a) above, as per DoP of PFS, M4 levelofficer i.e. Whole Time Director is the head of the department (extract of the DoP is placedat <u>Exhibit D(1)(a).1</u>). Further, as per HR Office order No. 6/2018, the legal department, inter-alia, was allocated to Director (Operations) (Office order is placed at <u>Exhibit D(1)(a).2</u>). • Therefore, the functional and administrative heads in PFS are at the level of M4 and accordingly, Director (Operations) was the functional and administrative head for the legal function. Accordingly, all legal files were routed through Director Operations. • The internal note was routed through Director (Operation) who was also Legal Head at thatpoint of time before putting up to MD & CEO. Thus, the internal note was signed by the Legal Head and there was no requirement of submission of same through Ex Company Secretary. • There was no requirement for signing of the internal note by Ex Company Secretary • Further, as per CNK comment that *"it seems that the name of company secretary was subsequently removed"*, it is not clear from where this inference is being drawn. CNK has perhaps not understood the DoP of PFS. CNK has not provided any

	evidence regarding theaiiegations made. • As per agreed scope, CNK was required to have preliminary discussions with PFS management on weekly basis which was not done by CNK. Preliminary discussions as per the terms of Engagement letter would have helped CNK in detailed understanding on the matter, including DoP of PFS. • This observation is irrelevant / redundant because it does not establish or indicate any material impact on the financials of the Company. As per the agreed Engagement letter, CNK was required *"to ascertain the veracity of the issues raised by the Independent Directors of the Company in resignation letter/s dated 19th January 2022 having material impact on the company"*. Further, *"Material Impact" means any event which result in material adverse impact on financial position on the accounts of PFS and performed with sole motive of malafide intention / fraud wherein any such critical information was not disclosed to Audit Committee or Board and is in contravention of PFS policies or directions of the Board or statutory requirement, having significant impact on decision making related to such project /proposal"*. • The observation of CNK is not related to adverse impact on financial reporting, any fraud or malafide intention on part of management wherein any such critical information was not disclosed.
D(1)(c)	• The Committee of Directors for Loan Recovery (CDL) is an internal committee of the Company to look into the accounts which are stressed and to decide further course of action. There is neither any requirement as per Delegation of Power, any policy nor any directive from the Board of Directors or any of its sub Committee to present the minutes of meetings of such internal committee to the Board. • It is important to mention that the information of stress loans, EWS loans, NPAs (based on the discussions held in CDL meetings) is presented to audit committee, RMC and Board on a quarterly basis. • The agenda items and matters discussed in such internal committee meetings are theprerogative of such committee. Accordingly, CNK's comments that no 'action taken report'on discussion of the previous meeting was placed to the CDL are irrelevant and out of context. • These comments are out of context, irrelevant and based on CNK's limited understandingof the policies and procedures followed in the Company. • As per agreed scope, CNK was required to have preliminary discussions with PFS management on weekly basis which was not done by CNK. Preliminary discussions as per the terms of Engagement letter would have helped CNK in detailed understanding on the matter. • This observation is irrelevant / redundant because it does not establish or indicate any material impact on the financials of the Company. As per the agreed Engagement letter, CNK was required *"to ascertain the veracity of*

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	the issues raised by the IndependentDirectors of the Company in resignation letter/s dated 19th January 2022 having material impact on the company". Further, *"Material Impact" means any event which result in material adverse impact on financial position on the accounts of PFS and performed with sole motive of malafide intention / fraud wherein any such critical information was not disclosed to Audit Committee or Board and is in contravention of PFS policies or directionsof the Board or statutory requirement, having significant impact on decision making relatedto such project /proposal".* • The observation of CNK is not related to adverse impact on financial reporting, any fraudor malafide intention on part of management wherein any such critical information was not disclosed. As per agreed scope, CNK was required to have preliminary discussions with PFS management on weekly basis which was not done by CNK. Preliminary discussions as per the terms of Engagement letter would have helped CNK in detailed understanding on the matter.
D(1)(d)	• The statement at D(1)(d) is factually incorrect. • It is pertinent to mention that PFS invoked DSRA pertaining to its share only and thus have not drawn the portion of co-lender, which was clearly stated in the ATR submitted in 128th Board Meeting. *"[redacted] PFS is lead with effective sanction of Rs 254 crores (share~ 82%) and co-lender PFC's sanction is Rs 56 crores (share ~ 18%)"* • Post directives of the PFS Board and as matter of prudence, the same was informed to the co-lender vide email dated 1st August 2020 (Exhibit (D(1)(d).1) and the same was informed to the Board in the ATR furnished in the 128th BoD meeting held on 4th August 2020 (Exhibit D(1)(d).2). However, no reply/ response from the co-lender was received and no adverse steps were taken by the co-lender. The Board noted the status of DSRA replenishment from the cash flow of the project and no responses from co lender received. Based on the deliberation, Board advised that such action should not be repeated and the Company has abided by the Board's advice. Subsequently, the loan account was prepaid on 5th October 2020. Refer the discussions in the board meeting audio recordings between 42.58 minutes to 54.53 minutes. • CNK has not understood the matter. As per agreed scope, CNK was required to have preliminary discussions with PFS management on weekly basis, which was not done by CNK. Preliminary discussions as per the terms of Engagement letter would have helped CNK in detailed understanding on the matter. • This observation is irrelevant / redundant because it does not establish or indicate any material impact on the financials of the Company. As per the agreed Engagement letter, CNK was required *"to ascertain the veracity of the issues raised by the IndependentDirectors of the Company in resignation*

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	letter/s dated 19th January 2022 having material impact on the company". Further, "Material Impact" means any event which result in material adverse impact on financial position on the accounts of PFS and performed with sole motive of malafide intention / fraud wherein any such critical information was not disclosed to Audit Committee or Board and is in contravention of PFS policies or directions of the Board or statutory requirement, having significant impact on decision making related to such project /proposal". • **The observation of CNK is not related to adverse impact on financial reporting, any fraud or malafide intention on part of management wherein any such critical information was not disclosed.**
D(1)(e)	• The comments made by CNK team are factually incorrect. The company takes all ALM related matters very seriously which can be verified from the fact that ALM returns prepared and filed with RBI within due date, i.e. 10th of next month. There was enough liquidity as per the ALM statements and the liquidity positon was comfortable, accordingly, the meetings were scheduled as per the availability of all committee members. • It is pertinent to mention that during the forensic audit period, there was worldwide COVID 19 pandemic and lockdowns. The key officers involved in the process were also affected (concerned officer was hospitalized for several months). Despite the challenges, the company, with the dedication and commitments of its employees, not only ensured comfortable ALM positon and enough liquidity but also ensured all related regulatory compliances and filing of returns. • The minutes of meetings of Asset Liability Management Committee (ALCO) are maintained electronically. All the minutes requested have been duly provided to forensic auditor. • The company has improved the process whereas the minutes of any ALCO Committee meeting is considered in next ALCO committee meeting. Thus now, as per the process, all the minutes are duly considered and approved. • The reporting of minutes of ALCO meetings in a quarter is done to RMC (the sub Committee of the Board) in its meeting after the end of the quarter as required by the applicable norms. • After the resignation of Ex Independent Directors in January 2022, the Board of the Company was re-constituted on 30th March 2022 and thereafter RMC was constituted on 16th July 2022. Therefore, quarterly RMC meeting could not be held in quarter ended March 2022 and June 2022. • It is further mentioned that one of the purpose of maintaining HQLA is for projected disbursement. As on 31st March 2022 the total funds available was Rs 854.67 crore (30.89 % of excess requirement of HQLA). • There is no restriction placed by RBI in making disbursements through utilization of HQLA. Though not required, the Company informed RBI as an abundant precaution for the situation at the year end and discussions in ALCO

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	meeting. • There is no directive by RBI / Board to provide any intimation to the Board of such events. • It seems CNK has not been able to understand the matter with full information and facts. As per agreed scope, CNK was required to have preliminary discussions with PFS management on weekly basis, which was not done by CNK. Preliminary discussions as per the terms of Engagement letter would have helped CNK in detailed understanding on the matter. • This observation is irrelevant / redundant because it does not establish or indicate any material impact on the financials of the Company. As per the agreed Engagement letter, CNK was required *"to ascertain the veracity of the issues raised by the Independent Directors of the Company in resignation letter/s dated 19th January 2022 having material impact on the company"*. Further, *"Material Impact" means any event which result in material adverse impact on financial position on the accounts of PFS and performed with sole motive of malafide intention / fraud wherein any such critical information was not disclosed to Audit Committee or Board and is in contravention of PFS policies or directions of the Board or statutory requirement, having significant impact on decision making related to such project/proposal"*.
D(1)(f)	• It is incorrect to say that PFS uses a Base Rate. PFS follows PFS Benchmark Rate. • Prepayments of loans is a common practice in infrastructure projects, not just in PFS but across the financing industry and are based on sound economic rationale. After commencement of commercial operations, the risk profile of borrower improves resulting in better credit rating, thereby opening up newer sources (bonds / ECBs etc) of funds at competitive cost. • Apart from other reasons, by way of refinancing, borrowers also obtain top up loans and a higher tenor which at times is not possible for PFS to consider and offer, as may tantamount to restructuring. • The matter was presented and discussed in the Board meeting held on 29th October 2020 (Exhibit D(1)(f).1) and thereafter in PFS Business Committee meeting held on 2nd August 2021 (Exhibit D(1)(f).2). The discussion and minutes of meeting of Business Committee are reproduced below. *"The agenda note on status of PFS loan sanctioned and disbursement vis-à-vis budget and Prepayment of PFS loan accounts in FY 21, movement in PFSBR and summary of ICC proposals was explained to the Committee as per details mentioned in the agenda note. With respect to the movement of PFSBR, the Committee enquired about the processof passing of PFSBR to the borrowers. The Committee was informed that as per the earlier decision, PFSBR is calculated on monthly basis, however the decision to pass on the benefits of PFSBR to the borrowers is taken based on the business exigencies upon the recommendation of the MRMC Committee. It was also informed to the Committee that PFS Board*

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	In its meeting held on 29th October 2020 has desired that the management may take decision to pass on benefit/ burden of the change in PFS's base rate keeping in view of the book size as well as impact on PFS's other operational parameters and subsequently Business Committee, in its meeting held on 02nd March 2021 desired that while with respect to movement of PFSBR, there should be a balance between short-run profitability and considerations for maintaining loan book size, whichin turn impacts the Company's ability to do business in future. The management explained the above criteria currently followed in the company." • Considering the cost of borrowing, PFS shall always be higher than cost of borrowing of Bank and it is always difficult to match the interest rates offered to borrower by banks. It is evident from the past that PFS has always been receiving prepayment every year ranging between approx Rs 1,700 Crs to Rs 2,200 Crs. • PFSBR is relatively higher than base rate of Banks and other FIs and this gap was widen due to surplus liquidity available with them during FY 20-21 due to various govt schemes (atmanirbhar) under COVID-19 and reduction in repo rates by RBI. • PFS management has taken the decision for passing burden/ benefit of PFSBR in the past after reviewing short-run profitability and considerations for maintaining loan book size as well as impact on PFS's other operational parameters in the prevailing market condition
D(2)(a)	• The observation has been duly responded to CNK on its Preliminary Findings on Loan Accounts – point I) and there is no issue of corporate governance. Based on the above clarification and justification provided • Critical information have been presented to the Board without any significant delay • Disbursements made with timeline given for some of security, which was as per Board approved condition and delegation of power of Company; • The forensic report was inconclusive and no fraud was evident from the report. Further • legal opinion taken by PFS also corroborated the same. • There has been no delay in pursuing in legal options and preferring OTS and instant case the OTS offer is 72% of the principal amount which is substantially on the higher side as compared to the Industry's experience of recovery in similar stalled thermal projects. The OTS proposal is under discussion with the Board for last 2 years. • PFS's various efforts to resolve the accounts have been informed to the Board, RMC and • Audit Committee time to time. Further, decisions of Board, RMC and Audit Committee have been implemented in this case. The loan account has also been referred to RBI for suspected fraud.

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	• The observation has been duly responded to CNK on its Preliminary Findings on Loan Accounts – point I) and there is no issue of corporate governance. • The fact that the forensic auditor appointed by PFS submitted an inconclusive report, admittedly prepared without following and applying the detailed and comprehensive forensic procedures due to lack of adequate documents from [redacted] and its Resolution Professional (who had been appointed by the National Company Law Tribunal under the IBC to manage the affairs of [redacted] has not been mentioned by CNK. CNK has also not mentioned about the disclaimer given by the Forensic Auditor. Admittedly, with the commencement of insolvency proceedings in the instant account the Resolution Professional (RP) refused to share documents with the Forensic Auditor appointed by PFS on the pretext that PFS is no more a lender to the company and did not gave seat to PFS on the "Committee of Creditors" (CoC). Therefore, the report had suggested that steps should be taken to replace the Resolution Professional and enforcing a forensic procedure through intervention of NCLT, however, the same was hampered by the fact that PFS was not given a seat in the CoC and unless the same was done, PFS had no means to enforce the suggestions of the Forensic Auditor. PFS had obtained the views of Hon'ble Mr. Justice (Retd.) [redacted] (erstwhile Chief Justice of India) to determine if fraud was made out from the forensic report, who had opined that no case for reporting of fraud had been made out). • It is pertinent to note that there is no violation of any SOP of PFS as there is no requirement of presenting the forensic audit report to the Board or to any sub committee of the Board. (whether fraud is proven or not). In the past also wherever, a fraud has been established through a forensic audit the report has not been presented to the board and only it has been informed to the board regarding the fraud in the account which is in line with the RBI directions. • Further, RBI directions says that in case no fraud is detected the same is not to be reported. In the instant case, the outcome of the forensic audit remained inconclusive as the auditor could not apply detailed forensic procedures due to limited information and therefore there was no requirement to report it to the Board also. • In line with the directions of the 133rd Board meeting, PFS had already referred the matter to RBI on 12th Aug'2021 as "Suspected Fraud". The vital fact that the account was referred by PFS as "Suspected Fraud" to RBI also do not find any mention by CNK in their report.
	• It is pertinent to mention that the account was already admitted into NCLT for resolution on 18th January 2018 and after adverse decision in NCLT and NCLAT, PFS filed petition in Hon'ble Supreme Court. After Supreme Court's judgement, PFS got seat in CoC. Earlier, PFS has also filed cases of cheque bouncing u/s 138 of NI Act against the director of the company and also invoked the pledge of shares of borrower's sister concern. Supreme Court is the Apex legal court and PFS has dragged the borrower/ promoter upto it and therefore no action was pending from PFS's side. Thus the observation of CNK that no action was taken against the

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	borrower and the promoter is blatantly misleading as mentioned aforesaid. • **It is pertinent to mention that there is no requirement of FAR to inform to RBI as it remain inconclusive and as per RBI in case no fraud is detected 'Nil' report is not required to be reported. Further, the FAR was referred to RBI as suspected fraud pursuant to the decision of the PFS Board. In fact, in February 2021, while approving accounting for Q3FY2021, audit committee did not recognise it as a fraud and did not make any provision**
	• The observation has been duly responded to CNK on its Preliminary Findings on Loan Accounts – point G) and there is no issue of corporate governance. Based on the above clarification and justification provided • An initial OTS offer was received from [redacted] the holding company in May 2019 and the offer was without any EMD amount continuous attempt made to improve the offer. Further, a clear cut legal opinion was taken to protect PFS's interest with regard to the Offer for Settlement submitted by [redacted] particularly with respect to ongoing case i.e. u/s 138 and NCLT / NCLAT. • At that point of time PFS had already got adverse ruling in NCLT in the instant case and its appeal in NCLAT against the ruling of NCLT also got rejected. In case PFS would have lost the case in Hon'ble Supreme Court, it would have been difficult for PFS to recover the dues. It would have also led to weakening of cheque bouncing case of Rs 125 cr. under section 138 lodged by PFS against the company. As the OTS offer was put up by the Promoter, therefore PFS was in process to get the OTS offer improved. In view of the above PFS did not object to any adjournment taken by the borrower in anticipation of better chances of recovery. • Further regarding the allegation that Board of Directors were not apprised of such adjournments, is incorrect and the same was informed to the Board by legal unit in its legal case updates submitted to Board on regular basis. • It is also pertinent to mention that PFS management has fought the matter at every legal forum like NCLT, NCLAT & Supreme Court to protect PFS's interest. The effort put by PFS management led to a decision by Hon'ble Supreme Court in the favour of PFS. • It is further mentioned that this judgement from Hon'ble Supreme Court is a landmark decision in all matters where borrowers attempted to evade their liability by asserting that mere invocation of dematerialised pledged shares resulted in discharge of debt. It may be noted that despite of judgment of Hon'ble Supreme Court pronounced in May 2022 in favor of PFS, though RP has given a seat to PFS in the CoC of resolution process of the instant account, NCLT is yet to convene any hearing for the loan account for last the 4 months. Thus, it is evident that addressing stress through legal route is a longish process without any timeline and without any clarity on the amount to be received against the loan.
	• In the 140th Board Meeting dated 29 September 2021, Board discussed the concern for specific case i.e. [redacted] and not on

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	entire portfolio. Further,Board directives as indicated in the minutes of 140th Board Meeting dated 29 September 2021 have been fully complied with. • As stated by CNK that *apparent weaknesses in internal controls and that the SOPs be reviewed as part of the Internal Audit* is not a part of discussion in 140th Board Meeting dated 29 September 2021. Further Board directive for KMP certificate and Internal audit for the compliance/ Non compliance of the Board approved conditions have been done for Q3 FY 22 and Q4 FY 22 and their report have been submitted to Audit Committee. • In view of the RBI circular regarding Risk Based Internal Audit, PFS has revisited its internal processes and controls with assistance of [redacted] The agenda regarding approval of draft RBIA policy and framework has been placed to the Board for its approval.
	• The observation has been duly responded to CNK on its Preliminary Findings on Loan Accounts – point K) basis which there is no issue of corporate governance. • **CNK must understand chronology of events before making such factually incorrect observations which is unwarranted. The observation is incorrect as the risk report was dated 12 Oct 2020 while the disbursement of the said loan was done in 2014 hence there is no question of considering the risk report dated 2020 at the time of disbursement in 2014.** • **Further, the security related to 26% pledge was complied in line with sanction terms / amendments at the time of disbursement in Mar' 2014. [redacted] subsequently, increased theshare capital of the said company without pledging proportionate shares to PFS resulting in reduced pledged shares with PFS. PFS had followed up with the company / promoter to pledge the proportionate additional shares. This fact was also mentioned in the agenda note of OTS proposal submitted to the sub-committee of the Board.** • The observation has been duly responded to CNK on its Preliminary Findings on Loan Accounts – Point I and there is no issue of corporate governance • This observation is irrelevant / redundant because it does not establish or indicate any material impact on the financials of the Company. As per the agreed Engagement letter, CNK was required *"to ascertain the veracity of the issues raised by the Independent Directors of the Company in resignation letter/s dated 19th January 2022 having material impact on the company"*. Further, *"Material Impact" means any event which result in material adverse impacton financial position on the accounts of PFS and performed with sole motive of malafide intention / fraud wherein any such critical information was not disclosed to Audit Committee or Board and is in contravention of PFS policies or directions of the Board or statutory requirement, having significant impact on decision making related to such project /proposal"*. • The observation of CNK is not related to adverse impact on financial reporting, any fraud or malafide intention on part of management wherein any such critical information was not disclosed.

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D(2)(b)	The loan account was sanctioned by the PFS Board in its meeting dated 20th December 2020 in the consortium lending lead by [redacted] and there were 2 other lenders [redacted] which have sanctioned the loan to the Borrower with common terms and conditions. Project has achieved Provisional COD on 31st Jan 2022 and final PCOD has been completed in 8th June 2022. Final COD is expected by end of October 22. For any term debt finance under construction lending, stipulation of SCOD is an essential condition to estimate financial viability and fixing the repayment dates. Since at the time of PFS sanction in Dec 2020, SCOD date of 18th Nov 2020 was expired, PFS had stipulated proposed revised SCOD and [redacted] letter for COD extension as pre disbursement condition in order to validate the proposed revised SCOD. PFS received NHAI letter for COD extension within 5 days of PFS Board sanction in which SCOD was extended for 6 months (i.e. 18th May 2022) from original SCOD date of 18th Nov 2020 and based on the same Lead FI communicated the approval of revised SCOD of 6th June 2021. Before signing of agreement, the pre disbursement condition for obtaining COD extension from NHAI was complied and hence there is no impact of any nature in either case (interpretation). PFS Board sanction condition was complied before signing of facility agreement itself. This issue has been explained to RBI also. As per ex-IDs resignation letter, the concern is related to shifting of a condition from pre- disbursement conditions to other condition resulting in disbursement without compliance of such condition. Thus, it is evident that pre-disbursement condition was captured as pre- disbursement condition only in the loan agreement and the condition has been complied by the Borrower. Allegation of Ex Independent Director is incorrect. Also, basis the video recordings of the Board meeting dated 29th September 2021, CRO has clearly confirmed to Board that a condition has been shifted from PDC to other conditions. The same has not been captured by CNK in their report while drafting the observation. It is to mention that *due to this incorrect representation by CRO, the Board was misled to take incorrect decision towards non-compliance of Board directives in the account*. Subsequently, the Internal Auditor has also confirmed the incorrect representation by the CRO in the Risk Report. Further, with respect to language of Loan Agreement, please note that SCoD extension approval by NHAI and Lead FI was already in place even before execution of loan agreement by PFS and condition was accordingly drafted by LLC and circulated by lead bank (RBL) and the stated condition was clearly captured as a pre-disbursement condition only. Legal opinion has been obtained from one of the leading LLC firms [redacted] which clearly mentioned that no disbursement condition was shifted. The legal opinion has been shared with CNK for review purposes.

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	Therefore, interpretation of CNK is erroneous.
	The draft Minutes of 140th BM held on 29.9.21, were finalized on 9.11.21. Therefore the required actions were not placed due to fact that board was not constituted till April, 2022. Thereafter the status on this was placed to Board in meeting held on 24th May, 2022 and Board took note of the same. Further Board directive for KMP certificate and Internal audit for the compliance/ Non compliance of the Board approved conditions have been done for Q3 FY 22 and Q4 FY 22 and their report have been submitted to Audit Committee. The comments made by CNK team are factually incorrect. This observation is irrelevant / redundant because it does not establish or indicate any material impact on the financials of the Company. As per the agreed Engagement letter, CNK was required *"to ascertain the veracity of the issues raised by the Independent Directors of the Company in resignation letter/s dated 19th January 2022 having material impact on the company". Further, "Material Impact" means any event which result in material adverse impact on financial position on the accounts of PFS and performed with sole motive of malafide intention / fraud wherein any such critical information was not disclosed to Audit Committee or Board and is in contravention of PFS policies or directions of the Board or statutory requirement, having significant impact on decision making related to such project /proposal".* The observation of CNK is not related to adverse impact on financial reporting, any fraud or malafide intention on part of management wherein any such critical information was not disclosed.
D(3)(a)	• The comments made by CNK are factually incorrect and selectively reported. The then Chairman asked the Audit Committee Chairman in the 131st board meeting, regarding the internal auditor's confirmation on loan accounts. • The complete minutes of this meeting alongwith the audio recording was provided to CNK. Unfortunately, CNK has selectively reported the facts. • The audit committee chairman's response and the minutes of the meeting regarding the same are reproduced below: *"We have an Internal Auditor here and asking Audit Committee who is present here, are you verifying whatever conditions have been proposed to the Board the management is doing everything according to that and Internal Auditor is presently ensuring if theconditions presented to the Board are being complied according to that only. If they are not doing the same, then the Audit Committee should ensure Independent body should look into these things and give a report to the AC. To this,* **(Reference recording of minutes of meeting 131 at 28.33 minutes)** [redacted] *Chairman of the Audit Committee responded that Internal Auditor is doing the same and has in some of thecases, in the past, they have reported deviations which were minor and*

	Audit Committee had already instructed Internal Auditor that even if there are minor deviations, the same should be reported to the Audit Committee. The Chairman stated OK." **(Reference recording of minutes of meeting 131 at 29.31 minutes)** Therefore the query of Board Chairman to Audit Committee chairman was responded by Audit Committee chairman and the same response was accepted by the Chairman of the Board and the matter was concluded there itself. Therefore, there was no requirement for further course of action by PFS. It seems CNK has only presented incorrect and partial facts i.e. the questions raised by theChairman of the Board to the Audit Committee and has not included the response given by the Chairman of the Audit Committee. This observation is irrelevant / redundant because it does not establish or indicate any material impact on the financials of the Company. As per the agreed Engagement letter, CNK was required *"to ascertain the veracity of the issues raised by the Independent Directors of the Company in resignation letter/s dated 19th January 2022 having materialimpact on the company"*. Further, *"Material Impact" means any event which result in material adverse impact on financial position on the accounts of PFS and performed with sole motive of malafide intention / fraud wherein any such critical information was not disclosed to Audit Committee or Board and is in contravention of PFS policies or directions of the Board or statutory requirement, having significant impact on decision making related to such project /proposal"*.
D(3)(b)	• The allegations made by CNK Team that management has time and again delayed in sharing important information to the Board are baseless and factually incorrect and constitute selective presentation of facts. All relevant papers and information as called by the Committee were handed over from time to time. The initial information was requested on 23.01.2021 by the Committee and the same was provided in a week on 01.02.2021. Basis the same, the Committee framed a detailed questionnaire which was sent to PFS' management on 19.02.2021, for management's reply. The reply was sentto the committee on 26.03.2021. • It must be noted that beginning February 2021 for over six months, India was reeling under the worst phase of the Corona pandemic. The government had imposed severe restrictions, including a nation-wide lock down. Offices were closed, hospitals were fullwith patients, people were dying and the pandemic had disrupted all walks of life. Many PFS employees and their family members were struck with Corona, hospitalised and going through extreme miserable condition. Consequently, only limited manpower was available. It must be acknowledged and appreciated that despite enormous challenges, PFS employees continued to provide full information and support to the Committee.

The flaring of pandemic has been totally ignored by CNK.

- This matter was discussed in the board meeting held on 17th May 2021 and there are nominutes mentioning any delay on part of management in furnishing information to the committee of independent directors. The Committee of Independent Directors never raised any concern of delay on the part of PFS to furnish information to them during their conduct of inquiry.

- Further, independent directors also gave no cognisance to this allegation during their meeting held on 5th October 2021, though it was made by [redacted] the then Chairman in the board meeting held on 5th August 2021 and as such it was well within their knowledge.

- **On the contrary, the independent directors in the same meeting held on 5th October 2021 had given a clear certificate that flow of information by the Company to the Board or any of its Sub Committee was excellent.**

- In accordance with secretarial standards read with Companies Act, it was the responsibility of [redacted] the then Company Secretary and [redacted] the then Chairman to ensure that Board minutes are finalised within 30 days. The management has no responsibility thereof.
- Further, the then independent directors as conscience keepers of the Board should have ensured that minutes are issued within stipulated timelines. Minutes are to be issued within 30 days and to be noted in the next minutes after their issue.

- Minutes of meetings are the final agreed records of the discussions and decisions taken during the meetings and once they are confirmed, everyone is required to act and comply with the minutes.

- Regarding the RBI inspection report, it may be mentioned that [redacted] question is factually incorrect since RBI inspection reports for all years have been placed to the Board as and when received.

- RBI's inspection report for FY2019-20 was submitted to the Board of Directors in its meeting held on 17th May 2021. However, despite being a report by regulator with a directive to place it before the Board, the Board led by [redacted] the then Chairman decided to defer the agenda item pertaining to RBI Inspect report.

- Thereafter, the matter regarding RBI inspection report was placed before the Board in its meeting held on 21st June 2021. The board decided as follows:

    - With respect to the revisiting of the fraud risk management system for early detection of potential frauds and monitoring existing fraud cases, the Board was of the view that as PFS has already in place the Fraud Monitoring and Prevention Policy, therefore the suitable reply in this

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	regard may be sent to RBI in consultation with MD&CEO, PFS and Group CRO. o Regarding the issue raised by RBI on arm's length relationship with Parent Company and independent functioning of Committee and CRO not ensured, the Board desired that PFS may seek extension from RBI upto 30th September, 2021 for submitting its reply with this respect. The additional time is needed since this item requires extensive consultation with PTC and a Board approved policy. The Board further desired that as all these points pertain to PTC, therefore, the common Independent Director of PTC & PFS, [redacted], may take the necessary documents/assistance form PFS and PTC and may oversee the preparation of the draft reply before its submission to the Board. o The reply on other points mentioned in the RBI supervisory letter and inspection report may be sent to the RBI without any further delay and [redacted] may give their view to PFS in case they have any suggestion. o Further [redacted] also requested from the Board to mention / prepare a description in the nature of 'terms of reference' of the work to be undertaken by him in this context. The Board desired that [redacted] shall prepare the said 'terms of reference' for the work expected to be overseen by [redacted]. • This matter was again placed before the Board in its meeting held on 28th June 2021: o the board was informed about the issues on which directions of the Board are sought viz: Arm's Length Relationship with PTC, Independent Functioning of CRO, issue related to Gr. CRO, and reporting of CRO, composition of the Business Committee. The Board was further informed about the draft response prepared in this regard under the oversight of [redacted], Independent Director in consultation with PFS and PTC. The Board further discussed the options mentioned w.r.t. review of certain risk reports prepared by CRO, PFS by the Gr. CRO. [redacted] Gr. CRO & Nominee Director of PTC, and it was stated that the Board may decide future process to be followed in this regard as PFS's CRO is now a fairly experienced. o **The Board discussed that the changing existing system at this instance may give the impression that something is not right in the existing system established by the Board. Therefore, after discussions, the Board desired that response may be given on the lines of continuation of existing system as the existing system is running well since last many years in PFS and there is no violation of any regulatory provisions in the**

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same; proper response has been already drafted under the oversight of [redacted].

- The Board discussed the response drafted under the oversight of Sh. [redacted] on certain observations of RBI letter and in principle agreed with the same and desired that director(s) may further suggest any fine-tuning in the language of the draft response. It was further discussed that [redacted] Nominee Director of PTC may fine-tune the language on PTC's part and circulate draft reply to all the Board members for their review so that reply may be finalized and sent to RBI within the time frame.
- In response of the Chairman asking for the views of MD&CEO, **MD & CEO stated that RBI need to be differentiated as a regulator also in the matter of supervision and management issues, RBI may look little differently from the way it would look at other observations. He further stated that the way RBI had replied, it would expect compliance of its observations. He also stated thatthese day's RBI's oversight has become stricter and they are taking punitive actions even case of the public sector financial organizations.**

- Thus, it may clearly be seen that the delays in considering the RBI inspection report anddiscussion on the matters raised therein were delayed by the Board led by [redacted] the then Chairman
- It is important to note that the major concerns were raised by RBI on arm's length relationship between PFS and PTC, the Board led by [redacted], the then Chairman.
- **Despite such concerns raised by RBI, [redacted] ignored the suggestions made by MD&CEO and decided to give responsibility of preparing replies to [redacted] of PTC India Limited and [redacted]- independent director PTC and PFS, both having conflict of interest between PFS and PTC. It is clear that there was no intention to discuss the RBI's inspection report and to address the concerns raised by RBI. CNK has completely ignored these facts.**
- **Many of the issues raised by CNK pertain to the time when due to Pandemic there was lockdown / restriction in coming to office. Providing information required frequent access to the account files which were kept at PFS's office and could not be accessed from home. This fact has been blatantly missed out by CNK. Despite the adverse condition, all the information was delivered within reasonable time in such adverse circumstances for which the PFS's staff must be appreciated. This is important to keep the morale of the staff high.**
- CNK has clearly been selective in presenting facts. As per agreed scope, CNK was

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	required to have preliminary discussions with the PFS management on a weekly basis which was not done by CNK. Preliminary discussions as per the terms of Engagement letter would have helped CNK in detailed understanding on the matter and not misrepresenting facts.
D(3)(c)	• [redacted], the Non-Executive Chairman of PFS Board since 9th November 2021, had informed to PTC RMC that he had more than 50 calls with Independent Directors and two video informal meetings to explain them the various issues. This is mentioned in the PTC RMC report. • The allegation made by CNK Team that there were deliberate delays in holding the N&R Committee meetings despite reminder by the Company Secretary in baseless and factually incorrect. Moreover, there was no regulatory non-compliance. • CNK team has not reported any fraud or malafide intention on part of management. • During FY2020-21, 7 board meetings and 3 NRC meetings were held • Similarly, during FY2021-22, 12 board meetings and 5 NRC meetings were held till November 2021 (the date of resignation of Ex Independent Directors). • The term of [redacted] as Independent Director on PFS Board ended on 14th October 2021. • The Company was required to induct a Woman Independent Director within 90 days of vacancy and accordingly, such induction was required to be done by 12th January 2022. There was no regulatory non-compliance as there was sufficient time to appoint Woman Independent Director on PFS Board. • However, it can be clearly verified from the emails sent by all the then Independent Directors of PFS, including [redacted] himself, through their emails dated 18th December 2021 addressed to Chairman PFS that the primary intention of the independent directors was to grant extension in the tenure of [redacted]. • The emails sent by all the then independent directors on 18th December 2021 addressed to Chairman PFS, interalia stated that "you have referred to compliance of SEBI LODR. While this is important **there are other matters that need the urgent attention of the NRC. The most important of these at present is the extension / reappointment of [redacted] as Independent Director for a period of three years as his present term ends on 31st December 2021. Your email is unfortunately silent on this issue."** • It is pertinent to mention that the policy of PFS for appointment of independent directors, as was existing on 18th December 2021, stipulated the maximum age

	of independent director at the time of appointment as 67 years and [redacted] had already completed 68 years of age on the proposed date of his reappointment and thus, was **not eligible to be appointed in terms of policy of the Company.** • However, the resigning independent directors were forcing and coercing the Management to call a meeting of the NRC for appointing an ineligible independent director on the board of Company. • All this information was made available to CNK but CNK has chosen not to present the same in its report nor point out the impropriety and corporate mis-governance in [redacted] and the other ex-IDs directing the management to re-appoint him as ID despite being ineligible. • It is also pertinent to mention that NRC could not be reconstituted on 31st December 2021 since all the then independent directors had rejected the proposal to reconstitute the NRC on the grounds that resolution by circulation was not sent to [redacted], whereas [redacted] was never a Director of PFS either *de jure or de facto.*
D(4)(a)	• It is important to note that all changes in Directors are intimated by the Company to Reserve Bank of India. • It is clarified that the Equity Shares of the Company are listed on the Recognized Stock Exchanges in India ('RSE') with 64.99% of the equity capital being held by Promoter and Promoter Group [i.e., PTC India Limited ('PTC India'), also listed entity on RSE] and balance equity shareholding is held by public and other shareholders. It is also matter of record that the Promoter shareholding in the Company has remained unchanged since last many years, and hence the issue of transfer of any control etc. in PFS does not arise. • [redacted] Chairman PTC India Ltd was nominated to PFS Board as Chairman and [redacted] was nominated as Director to PFS Board by PTC India. Consequent to resignation of [redacted] as Chairman of PTC India Ltd and also withdrawal of [redacted] as nominee Director, PTC India Ltd nominated [redacted] as Chairman and [redacted] as Director on Board of PFS. It is also clarified that these nominee directors have only oversight role given the investment made by PTC India in PFS and they are not involved in management and day to day operations of PFS. As per article of association of PFS, to hold a Board meeting, the presence of minimum one nominee director of PTC is necessary. Necessary intimations to Registrar of Companies ('ROC'), Securities and Exchange Board of India ('SEBI') and Reserve Bank of India ('RBI') were filed by the Company intimating the above replacement of nominee directors. • In the instant case there was a mere replacement of two nominee directors

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appointed by PTC India (in its capacity as Promoter) on the board of PFS, and there is no change in equity shareholding structure and/ or management of PFS. On account of above facts, the Company believes that no prior approval of RBI was required in terms of Para 2(c) of Reserve Bank's Circular Ref No. DNBR (PD) CC. No.065/03.10.001/2015-16 dated July 9, 2015 in respect of above two replacements.

- It may be note that similar query was received from RBI and Company has provided the same response to RBI. <u>(Refer Exhibit D(4)a)</u>
- It may be mentioned that such change has happened in the past also at the time of nomination of Directors [redacted] by PTC India Limited in July 2020
- This observation is irrelevant / redundant because it does not establish or indicate any material impact on the financials of the Company. As per the agreed Engagement letter, CNK was required *"to ascertain the veracity of the issues raised by the Independent Directors of the Company in resignation letter/s dated 19th January 2022 having material impact on the company"*. Further, *"Material Impact" means any event which result in material adverse impact on financial position on the accounts of PFS and performed with sole motive of malafide intention / fraud wherein any such critical information was not disclosed to Audit Committee or Board and is in contravention of PFS policies or directions of the Board or statutory requirement, having significant impact on decision making related to such project /proposal"*.

D(4)(b)

- The Company has submitted the replies to RBI on the inspection report for the FY2019-20. Details of communication with RBI is given below:
- **Inspection Report FY1920**

	Date	Particulars
1	12-May-21	Receipt of RAR and IR Letter
2	04-Jun-21	Receipt of Supervisory letter
3	29-Jun-21	PFS Reply on observations
4	06-07-2021 and 8 July 2021	Query of RBI on data for 1) appointment letter of RTA and also few samples of the replies sent by Kfin to the complainant and the investors 2) documentary evidence showing prepayment of loan account [redacted] prepaid. [redacted] with loan outstanding of Rs 86.5 Crs and [redacted] group prepaid [redacted] with loan outstanding of Rs 195 Crs).

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5	7-07-2021 and 8 July 2021	Reply sent on queries as per RBI Email dated 6 July 2021
6	09-Jul-21	RBI Email for query on Asset classification, Provisioning/ ECL and account statement of the borrower [redacted] from April 2019 to June 2021
7	09-Jul-21	PFS Submitted reply in response to email query dated 9 July 2021
8	20-Jul-21	Response of RBI on reply to the compliance submitted by company
9	04-Aug-21	PFS reply in response to RBI email/letter dated 20 July 2021
10	26-Aug-21	Response of RBI on reply to the compliance submitted by company
11	28-Oct-21	PFS reply in response to RBI email/letter dated 26 Aug 2021
12	12-Nov-21	Response of RBI on reply to the compliance submitted by company
13	07-Jan-22	PFS reply in response to RBI email/letter dated 12 Nov 2021

Note:

- Vide letter dated Dec 31, 2021, RBI communicated pending for compliance for two points w.r.t. Inspection 19-20 in its Supervisory letter for Inspection period 20-21.
- PFS replied on said two pending points on 04 July 22
- RBI sent its observation vide letter dated 6 Sep 22
- PFS submitted its reply on 20 Sep 22
- PFS has not received any further observation from RBI.
- PFS has ensured compliance from its side.

- RBI's inspection report for FY2019-20 was submitted to the Board of Directors in its meeting held on 17th May 2021. However, despite being a report by regulator with a directive to place it before the Board, the Board led by Mr. [redacted] the then Chairman decided to defer the agenda item pertaining to RBI Inspect report
- Thereafter, the matter regarding RBI inspection report was placed before the Board in its meeting held on 21st June 2021. The board decided as follows:
  - With respect to the revisiting of the fraud risk management system for early detection of potential frauds and monitoring existing fraud cases, the Board was of the view that as PFS has already in place the Fraud

Monitoring and Prevention Policy, therefore the suitable reply in this regard may be sent to RBI in consultation with MD&CEO, PFS and Group CRO.

- Regarding the issue raised by RBI on arm's length relationship with Parent Company and Independent functioning of Committee and CRO not ensured, the Board desired that PFS may seek extension from RBI upto 30th September, 2021 for submitting its reply with this respect. The additional time is needed since this item requires extensive consultation with PTC and a Board approved policy. The Board further desired that as all these points pertain to PTC, therefore, the common Independent Director of PTC & PFS, [redacted], may take the necessary documents/assistance form PFS and PTC and may oversee the preparation of the draft reply before its submission to the Board.
- The reply on other points mentioned in the RBI supervisory letter and Inspection report may be sent to the RBI without any further delay and [redacted] and [redacted] may give their view to PFS in case they have any suggestion.
- Furthe[redacted] also requested from the Board to mention / prepare a description in the nature of 'terms of reference' of the work to be undertaken by him in this context. The Board desired that [redacted] shall prepare the said 'terms of reference' for the work expected to be overseen by [redacted].

- This matter was again placed before the Board in its meeting held on 28th June 2021:
  - the board was informed about the issues on which directions of the Board are sought viz: Arm's Length Relationship with PTC, Independent Functioning of CRO, Issue related to Gr. CRO, and reporting of CRO, composition of the Business Committee. The Board was further informed about the draft response prepared in this regard under the oversight of [redacted], Independent Director in consultation with PFS and PTC. The Board further discussed the options mentioned w.r.t. review of certain risk reports prepared by CRO, PFS by the Gr. CRO. [redacted] Gr. CRO & Nominee Director of PTC, and it was stated that the Board may decide future process to be followed in this regard as PFS's CRO is now a fairly experienced.
  - The Board discussed that the changing existing system at this instance may give the impression that something is not right in the existing system established by the Board. Therefore, after discussions, the Board desired that response may be given on the lines of continuation of existing system as the existing system is running well since last many years in PFS and there is no violation of any regulatory provisions in the same; proper response has been already drafted under the oversight of [redacted]

	○ The Board discussed the response drafted under the oversight of Sh. [redacted] on certain observations of RBI letter and in principle agreed with the same and desired that director(s) may further suggest any fine-tuning in the language of the draft response. It was further discussed that [redacted] Nominee Director of PTC may fine-tune the language on PTC's part and circulate draft reply to all the Board members for their review so that reply may be finalized and sent to RBI within the time frame. ○ In response of the Chairman asking for the views of MD&CEO, MD & CEO stated that RBI need to be differentiated as a regulator also in the matter of supervision and management issues, RBI may look little differently from the way it would look at other observations. He further stated that the way RBI had replied, it would expect compliance of its observations. He also stated that these day's RBI's oversight has become stricter and they are taking punitive actions even case of the public sector financial organizations. • Thus, it may clearly be seen that the delays in considering the RBI inspection report and discussion on the matters raised therein were delayed by the Board led by [redacted], the then Chairman • It is important to note that the major concerns were raised by RBI on arm's length relationship between PFS and PTC, the Board led by [redacted], the then Chairman. • Despite such concerns raised by RBI, [redacted] ignored the suggestions made by MD&CEO and decided to give responsibility of preparing replies to [redacted] of PTC India Limited and [redacted] independent director PTC and PFS, both having conflict of interest between PFS and PTC. **It is clear that there was no intention to discuss the RBI's inspection report and to address the concerns raised by RBI. CNK has completely ignored these facts.** This observation is irrelevant / redundant because it does not establish or indicate any material impact on the financials of the Company. As per the agreed Engagement letter, CNK was required "*to ascertain the veracity of the issues raised by the Independent Directors of the Company in resignation letter/s dated 19th January 2022 having material impact on the company*". Further, "*Material Impact" means any event which result in material adverse impact on financial position on the accounts of PFS and performed with sole motive of malafide intention / fraud wherein any such critical information was not disclosed to Audit Committee or Board and is in contravention of PFS policies or directions of the Board or statutory requirement, having significant impact on decision making related to such project /proposal*".
D(4)(c)	• The Board of the Company was reconstituted on 29th March 2022 after the resignation of Ex Independent Directors. • The RMC (a sub-committee of Board) was re-constituted in July 2022.

	• The Risk Based Internal Audit was to be implemented by 31st March 2022, therefore, it was not possible to meet the deadline. • The Company has informed the re-constituted Board from time to time regarding the actions taken in this regard. • To ensure implementation of RBIA framework, PFS had engaged Deloitte for advising on the same. • [redacted] completed comprehensive discussion with on activities undertaken by each functions at PFS and assessment of inherent business risks associated with such activities [redacted] also completed the review of the existing control systems for monitoring the inherent risks associated with such activities. Subsequently, based on its review, [redacted] has submitted the draft report of gap assessment and draft policy document. [redacted] took time in reviewing the risk control matrix of each function of PFS and in developing Risk Audit Matrix based on the magnitude, frequency of risk, multifunction departmental interface in PFS and RBI requirements in this regard. • The draft RBIA policy and framework was submitted to RMC of PFS which considered it during the meeting held on 10th October 2022 with respect of RMC aspects and advised to place it to the Board for its consideration and approval. • The draft RBIA policy and framework shall be placed in the next Board meeting
D(5)	• The allegations made by CNK Team on the CFO are factually incorrect and baseless. **The email used as snapshot by CFO is addressed to PFS personnel only and not to the internal auditors.** The incident pertains to period when the entire country was reeling under Corona pandemic and humanity was going through the worst phase of century. Thereafter only physical signatures are being used. • The said signatures were affixed on the documents and these documents were circulated by the same person. There has been no misuse of the signatures. • It is important to mention that it is a normal practice, in fact a standard operating procedure of an audit, for multiple discussions and exchange of documents between auditor and officials during the various stages of an audit and particularly after the draft report is prepared. The auditors prepare the final report based on these. Perhaps CNK was also expected and contractually bound to discuss their findings with the Company officials under the terms of the engagement letter. Had they engaged in discussion with the management, many of the observations would have been addressed earlier. • The internal auditor raised these observations in its internal audit report and discussed them with the audit committee. The Audit committee asked the Internal Auditor to check total number of such incidents out of population of required sample. The Internal auditor vide email dated 24th August 2022 stated that *"As an additional testing for Q4 FY 22, on sample review of 40*

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	documents (out of above 64), no other document was observed wherein PDF signatures were used for signing of the documents (other than the 2 cases reported in IA report i.e. FMR1 & FMR 2/3)"(Refer Exhibit D(5).1) The management has not concealed anything nor is there any element of fraud / malafide intention. This observation is irrelevant / redundant because it does not establish or indicate any material impact on the financials of the Company. As per the agreed Engagement letter, CNK was required "*to ascertain the veracity of the issues raised by the Independent Directors of the Company in resignation letter/s dated 19th January 2022 having material impact on the company*". Further, "*Material Impact" means any event which result in material adverse impact on financial position on the accounts of PFS and performed with sole motive of malafide intention / fraud wherein any such critical information was not disclosed to Audit Committee or Board and is in contravention of PFS policies or directions of the Board or statutory requirement, having significant impact on decision making related to such project /proposal"*.

Exhibits for D(1)(a) to D(1)(f), D(2)(a) to D(2)(b), D(3)(a) to D(3)(c), D(4)(a) to D(4)(c) and D(5)

DoP extract

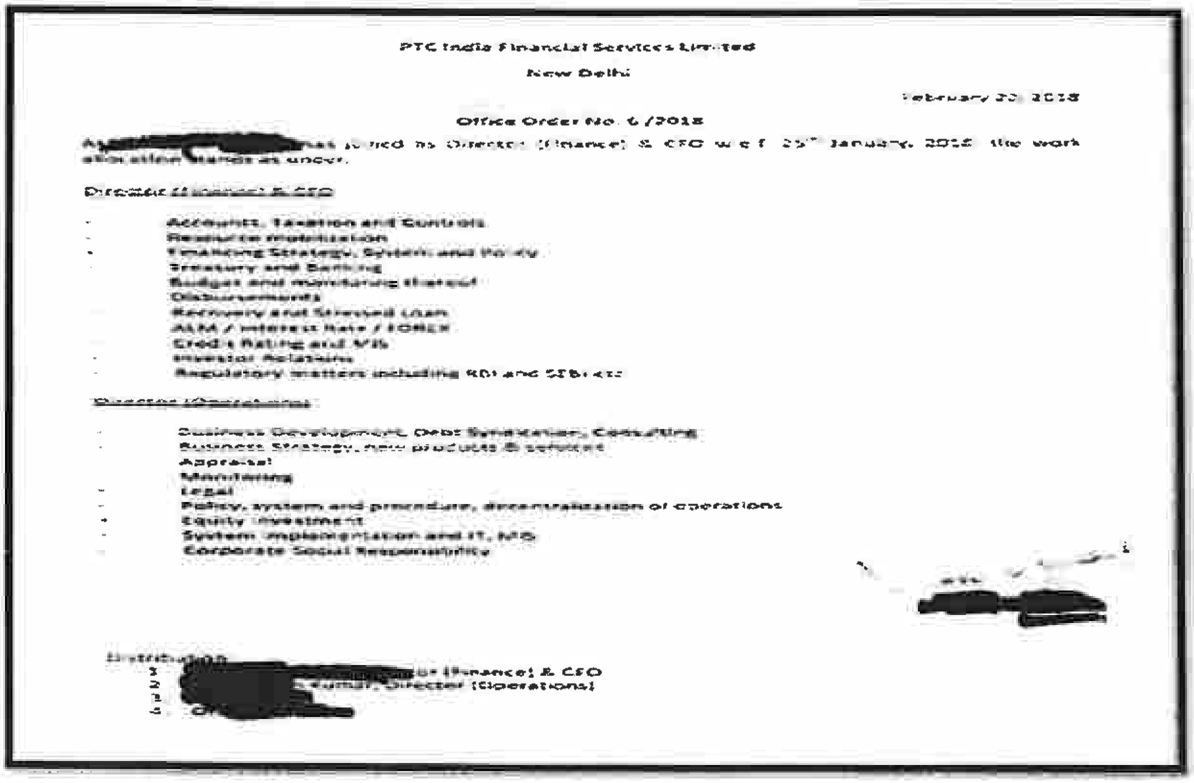
ABBREVIATIONS

The term used in Delegation of Power in PFS will mean as follows:

Sl no.	Term	Meaning
1.	Functional Head	Function Head of respective unit responsible for working of unit under the supervision and control of the Head of Department. The Functional Head shall be the senior officer of the unit not less than M 2 level *(in case head of unit is not at M 2 level then Director may designate an officer of not less than G 14 to be the functional head of that unit)*
2	Head of the Department	M4 Level
3	MD & CEO	Managing Director & Chief Executive Officer
4	M4	Whole Time Director
5	M3	Officers falling under Grades G 18, G19, G 20, G20 A and G 21
6	M2	Officers falling under Grades G 15, G 16 and G 17
7	M1	Officers falling under Grades G 13 and G 14
8	T & C	Terms and Conditions
9	SS	Support Services
10	HR	Human Resources
11	Reporting Officer	Immediate Reporting Officer as per HR circular

CNK & ASSOCIATES LLP
MUMBAI
Chartered Accountants

Office order for legal report



PTC India Financial Services Limited

New Delhi

February [illegible], 2018

Office Order No. 6 /2018

[redacted] has joined as Director (Finance) & CFO w.e.f. 25th January, 2018, the work allocation stands as under.

Director (Finance) & CFO

- Accounts, Taxation and Controls
- Resource mobilization
- Financing Strategy, System and Policy
- Treasury and Banking
- Budget and monitoring thereof
- Disbursements
- Recovery and Stressed Loan
- ALM / Interest Rate / FOREX
- Credit Rating and MIS
- Investor Relations
- Regulatory matters including RBI and SEBI etc

Director (Operations)

- Business Development, Debt Syndication, Consulting
- Business Strategy, new products & services
- Appraisal
- Monitoring
- Legal
- Policy, system and procedure, decentralization of operations
- Equity Investment
- System implementation and IT, MIS
- Corporate Social Responsibility

[redacted]

Distribution
1. [redacted] (Finance) & CFO
2. [redacted], Director (Operations)
3. [redacted]
4. [redacted]

Extract of 129th BM for legal reporting

After detailed discussions, the Board noted the reports as per details mentioned in the agenda note

2031. Item No. 129.10 Status of NPA accounts as on 30th September 2020 – Reg.

The Board was informed about the status of NPA accounts as per details mentioned in the agenda note. After discussion, the Board noted the status of NPA accounts as per details mentioned in the agenda note.

On a query regarding the functioning of the legal department, the Board was informed that litigation matters are handled by the Company Secretary and loan documentation is handled by a different officer of the Company. On a further query, it was clarified that the work of the said officer was earlier supervised by the Company Secretary informally.

The Board expressed the view that all matters related to legal may be handled by the Company Secretary, who is also the Head of Legal Department in the Company, and the other officer may have a formal reporting to him. MD&CEO stated that a senior officer was required in the Legal Department and he would discuss the same with Nominee Director of PTC separately.

PFS mail to PFC

[redacted] Intimation regarding utilisation of funds

[redacted]
To: [redacted]
Cc: [redacted]

Sat 01/08/2020 14:09

Dear Sir,

Borrower and promoter vide letter dated 27th March 2020 requested PFS to utilise funds available on [redacted] DSRA sub Account in order to clear critical over-dues of Othe[redacted]mpany funded by PFS whose loan account status should have got deteriorated to NPA (due to non-payment of critical over-dues), accordingly DSRA of sub account of [redacted] was utilised for the purpose of payment of critical dues of [redacted] project with PFS.

However in order to protect the interest of co-lender which is [redacted] PFS ensured that the borrower should maintain the DSRA portion of [redacted] share and DSRA of Rs.8.5 crores is intact as on date in [redacted] which well secures the DSRA portion pertaining to [redacted] amounting to ~Rs 4.90 crores.

Best Regards,
[redacted] | Manager | PTC India Financial Services Limited
7th Floor, Telephone Exchange Building, 8 Bhikaji Cama Place, New Delhi 110066 (India)
M: +91 9407 1188 60 | Dir: +91 11 2673 7457 | Fax: + 91 11 2673 7373 | web: www.ptcfinancial.com
PTC India Financial Services Limited
The most preferred Financial Services Partner in the entire energy value chain!

Reply | Reply all | Forward

128th BoD ATR

PTC INDIA FINANCIAL SERVICES LTD.

NEW DELHI

MEMORANDUM FOR THE BOARD MEETING

AGENDA ITEM NO. 128-1

SUB : ACTION TAKEN REPORT ON THE DECISION OF THE BOARD TAKEN IN THE EARLIER BOARD MEETINGS

BM No.	Item No.	Particulars	Action Taken
127th BM dated 23rd June, 2020	127.14	Reports on portfolio, debt and equity sanctions during FY 2019-20, conditions modified, cases of pending compliance of security conditions and downselling. With respect to action taken report on conditions modified, the Board enquired whether the approval of co-lender (i.e. PFC) was obtained before the extraction of funds from DSRA of [redacted] as this project is under consortium lending. The management team responded that since the time involved was short, the same had not been done. The Board [redacted] informed that such requirement of permission from co-lender shall be examined and necessary actions shall also be taken accordingly and status will be informed to the Board in next meeting.	In [redacted] is Lead with Effective sanction of Rs 254 Crs (share-82%) and Co-lender PFC's sanction is Rs 56 Crs (share - 18%). Borrower and promoter vide letter dated 27th March 2020 requested PFS to utilise funds available on [illegible]'s DSRA sub Account in order to clear critical [redacted] company [redacted] funded by PFS) whose loan account status would have got deteriorated to NPA (due to non-payment of critical over-dues). The competent authority of PFS has approved the above utilisation of funds for the purpose of payment of critical dues of [redacted] which was in the interest of PFS. Further in order to protect the interest of co-lender, PFS ensured that the borrower should maintain the DSRA portion of [redacted] share and accordingly borrower has already created DSRA of Rs.8.5 crores which secures the DSRA portion pertaining to [redacted] amounting to ~ Rs 4.90 crores. Further, PFS has intimated the same to the Co-borrower

Board meeting minutes for PFS BR

The Board was further informed that as per existing PFSBR policy, MD&CEO is authorised to approve change in spread on case to case basis, upto 25bps, subject to applicable interest not being below PFSBR. However, in the instant cases the reduction in spread is more than 25 bps hence requires approval of BOD. It was also informed to the Board that any lending below the base rate is required to be approved by the Board. The Board was further informed that in the past also, PFS has lent to the Borrower(s) below the applicable rate of interest as per Internal rate policy of PFS including the base rate with the approval of the Board.

The Board was also informed that Business Committee in its meeting held on 17th October, 2020 has desired that PFS may review its base rate on monthly basis. The Board desired the management may take decision to pass on benefit/burden of the change in PFS's base rate keeping in view of the book size as well as impact on PFS's other operational parameters.

Business Committee minutes for PFSBR

The Committee further enquired about the liability side of macro business environment. The Committee was informed that PFS is trying to convert its short term borrowing limits into long term limits and as on date ratio of long term to short term limit is 90:10. The Committee was further informed that borrowing cost of PFS has come down from 9% to around 7.75%. It was also informed to the Committee with respect to the maintaining of HQLA. PFS has requested RBI for relaxation of LCR/HQLA requirement applicable to NBFC and consider undrawn available Bank lines as part of HQLA. However, the request of PFS has not been acceded to by RBI.

After discussion, the Committee noted the same.

8. Item no. 5.7 Status of loan sanctioned and disbursement vis-à-vis budget and Prepayment of PFS loan accounts in FY 21, movement in PFSBR and summary of ICC meeting

The agenda note on status of PFS loan sanctioned and disbursement vis-à-vis budget and Prepayment of PFS loan accounts in FY 21, movement in PFSBR and summary of ICC proposals was explained to the Committee as per details mentioned in the agenda note.

With respect to the movement of PFSBR, the Committee enquired about the process of passing of PFSBR to the borrowers. The Committee was informed that as per the earlier decision, PFSBR is calculated on monthly basis, however the decision to pass on the benefits of PFSBR to the borrowers is taken based on the business exigencies upon the recommendation of the MRMC Committee. It was also informed to the Committee that PFS Board in its meeting held on 29th October 2020 has desired that the management may take decision to pass on benefit/burden of the change in PFS's base rate keeping in view of the book size as well as impact on PFS's other operational parameters and subsequently Business Committee, in its meeting held on 02nd March 2021 desired that while with respect to movement of PFSBR, there should be a balance between short-run profitability and considerations for maintaining loan book size, which in turn impacts the Company's ability to do business in future. The management explained the above criteria currently followed in the company.

The Committee was of the view that as desired by the Board, the Business Committee may like to review the methodology. The existing methodology can be placed in the next Business Committee.

After discussion, the Committee noted the same.

9. Item no. 5.8 Action Taken Report: Comparison between IDF and AIF

The agenda note on the comparison between IDF and AIF was explained to the Committee as per details mentioned in the agenda note.

PFS reply to RBI for appointment of director

September 21, 2022

The Chief General Manager,
Department of Supervision
Reserve Bank of India
6 Parliament Street
New Delhi - 110001

Dear Sir / Madam,

Name of the Company	:	**PTC India Financial Services Limited ('PFS' / 'Company')**
Reference	:	**Letter dated September 19, 2022 issued by your office and received on September 19, 2022 (enclosed as Annexure 1)**

We are writing in reference to above letter received from your office. In this regard, the Company would like to submit the following:

- At the outset, it is clarified that the Equity Shares of the Company are listed on the Recognized Stock Exchanges in India ('RSE') with 64.99% of the equity capital being held by Promoter and Promoter Group [i.e., PTC India Limited ('PTC India'), also listed entity on RSE] and balance equity shareholding is held by public and other shareholders. It is also matter of record that the Promoter shareholding in the Company has remained unchanged since last many years, and hence the issue of transfer of any control etc. in PFS does not arise.

- [redacted], Chairman PTC India Ltd was nominated to PFS Board as Chairman and [redacted] was nominated as Director to PFS Board. Consequent to resignation of [redacted] as Chairman of PTC India Ltd and also withdrawal of [redacted] as nominee Director, PTC India Ltd nominated [redacted] as Chairman and [redacted] as Director on Board of PFS. It is also clarified that these nominee directors have only oversight role given the investment made by PTC India in PFS and they are not involved in management and day to day operations of PFS. As per article of association of PFS, to hold a Board meeting presence of minimum one nominee director of PTC is necessary. Necessary intimations to Registrar of Companies ('ROC'), Securities and Exchange Board of India ('SEBI') and Reserve Bank of India ('RBI') were filed by the Company intimating the above replacement of nominee directors.

- In the instant case there was a mere replacement of two nominee directors appointed by PTC India (in its capacity as Promoter) on the board of PFS, and there is no change in equity shareholding structure and/ or management of PFS. On account of above facts, the Company believes that no prior approval of RBI was required in terms of Para 2(c) of Reserve Bank's Circular Ref No. DNBR (PD) CC. No.065/03.10.001/2015-16 dated July 9, 2015 in respect of above two replacements.

As requested by your office, the directorship pattern of the Company since March 2021 to till date is enclosed as Annexure 2.

We request you to please take the above facts and submissions on record.

for PTC India Financial Services Ltd

[redacted]
(AVP-Finance)

Annexure - A

भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

www.rbi.org.in

व.वि.नि.वि.स.S717/एनबीएफसी/05.08.000/2022-23

19 सितंबर 2022

The Managing Director & Chief Executive Officer
PTC India Financial Services Limited
7th Floor, Telephone Exchange Building
8, Bhikaji Cama Place
New Delhi 110066

Dear Sir,

Requirement for obtaining prior approval of RBI in cases of acquisition/ transfer of control of Non-Banking Financial Companies (NBFCs) - Non-Compliance

Please refer to your email dated December 17, 2021 on the captioned subject.

2. In terms of para 2 (c) of Reserve Bank's Circular Ref No. DNBR (PD) CC.No.065/03.10.001/2015-16 dated July 09, 2015 on *"Requirement for obtaining prior approval of RBI in cases of acquisition/ transfer of control of Non-Banking Financial Companies (NBFCs)"*, NBFCs have been advised, inter alia, to take prior written permission of Reserve Bank if any change in the management of the NBFC which would result in change in more than 30 per cent of the directors, excluding independent directors.

3. It has been observed that the appointment of two directors, vi[redacted] and [redacted] on November 08, 2021 has resulted in change in management of more than 30% and thus required Bank's prior approval, in terms of para 2 (c) of aforesaid Reserve Bank's Circular.

4. In view of above, the company is advised to submit a suitable explanation as to why prior approval of RBI was not taken for the appointment of the directors [redacted] latest by September 21, 2022.

Yours faithfully,

[redacted]

Annexure - 2

Change in Board of Directors of PTC India Financial Services Ltd
(During the period from 1st April, 2021 till date)

Sr. No.	Name of Director	Appointment/ Cessation	Designation	w.e.f.
1	[redacted]	Cessation	Nominee Director	08.04.2021
2	[redacted]	Cessation	Whole-Time Director	09.07.2021
3	[redacted]	Appointment	Nominee Director	21.06.2021
4	[redacted]	Cessation	Nominee Director	06.11.2021
5	[redacted]	Cessation (Retirement)	Independent Director	14.10.2021
6	[redacted]	Cessation	Nominee Director	06.11.2021
7	[redacted]	Appointment	Nominee Director	08.11.2021
8	[redacted]	Appointment	Nominee Director	08.11.2021
9	[redacted]	Cessation	Nominee Director	10.12.2021
10	[redacted]	Cessation	Independent Director	31.12.2021
11	[redacted]	Cessation	Independent Director	19.01.2022
12	[redacted]	Cessation	Independent Director	19.01.2022
13	[redacted]	Cessation	Independent Director	18.01.2022
14	[redacted]	Appointment	Independent Director	29.03.2022
15	[redacted]	Appointment	Independent Director	29.03.2022
16	[redacted]	Appointment	Independent Director	29.03.2022
17	[redacted]	Appointment	Independent Director	29.03.2022

* *Also note that Mr. Ratnesh was appointed as Director (F) by Board, and to the best of knowledge he has never joined the position of Director (F), and has never attended any meeting.*

Mail from Internal Audit

[redacted]

From: [redacted]
Sent: 14 October 2022 1:15 PM
To: [redacted]
Cc:
Subject: FW: Requirement of Additional Data

Regards

Sanjay Rustagi

From: [redacted]
Sent: 24 August 2022 10:25 PM
To: [redacted]
Cc: [redacted]
Subject: RE: Requirement of Additional Data

Dear Sanjay,

Please find below point wise response on the query raised:

S. no.	Query raised	Our re
1	Confirmation on standards issued by ICAI	Our internal audit methodology is in accordance with the audit
2	Sampling methodology used for Modifications report	In the summary slide of the Q4 internal audit report dated July judgmental sampling. As part of our audit procedures, We hav to board by the management) pertaining to modifications of 18 cases) out of total 18 loan accounts (sole cases) and 8 loan ac
3	Issue relating to Access rights review part of the IFC testing	Management has provided the evidences pertaining to half yea by the management. We have relied on this report and accordi accordance with the control documented as part of the IFC fra
4	Extend the sample for observation pertaining to Digital signature	Management has provided a list of 64 documents (on 17th &18 executed during Q4 FY22. As an additional testing for Q4 FY 22, on sample review of 40 observed wherein PDF signatures were used for signing of the FMR1 & FMR 2/3)

[redacted]
Director, Risk

M +91 99116 46710
T +91 12 4462 8000
[redacted]