17th November 2022

Manager Listing Department **BSE Limited** Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai- 400001 **Scrip Code:** 533344	General Manager Listing Department **National Stock Exchange of India Limited** Exchange Plaza, C-1, Block G, Bandra- Kurla Complex, Bandra (East), Mumbai- 51 **NSE Symbol:** PFS

Sub: Addendum to Clarification | Regulation 30 of LODR | Forensic Audit Report

Ref: Email dated 14th November 2022

Dear Sir/Madam,

This is with reference to instructions of Stock Exchanges vide dated 14th November, 2022, We are hereby submitting below documents in machine readable and searchable form.

1. E&Y remarks

We also like to re-submit that forensic report issued by CNK is not available in machine readable and searchable format.

Kindly take the same on your records.

Yours Truly

For **PTC INDIA FINANCIAL SERVICES LTD.**

MOHIT SETH Digitally signed by MOHIT SETH Date: 2022.11.17 12:02:03 +05'30'

(Mohit Seth)

Ernst & Young LLP
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PTC India Financial Services Limited

09 November 2022

7th Floor, Telephone Exchange Building,

8, Bhikaji Cama Place, Rama Krishna Puram

New Delhi, Delhi 110066

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

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.*

Building a better
working world

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>CNK Observations-[redacted] [redacted]</th><th>EY Remarks</th></tr>
<tr><td></td><td>
<table>
<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 [redacted]L 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></tr>
<tr><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>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 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]L to be pledged in demat form (including 50 shares held by nominees in physical form) upfront except for additional shares</td></tr>
</table>
</td><td>- 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>
</table>

<table>
<tr><th>Sr. No.</th><th>CNK Observations-[redacted]</th><th>EY Remarks</th></tr>
<tr><td></td><td>
<table>
<tr><td></td><td></td><td>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>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></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></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] 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 <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.
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 [redacted] hence NOC could not be issued to borrower for loan by PFS.

Sr. No.	CNK Observations- [redacted]	EY Remarks
	[redacted]d 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 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 [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 [redacted].</u> 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

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 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; 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 [redacted] in 2014

Sr. No.	CNK Observations-[redacted]	EY Remarks
	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 of [redacted] 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 (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 [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]	- Email confirmation from [redacted] 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

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], [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]L 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 [redacted];	

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
	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] 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".	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

Sr. No.	CNK Observations- [redacted]	EY Remarks
	<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.	

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]
</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	

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

Sr. No.	CNK Observations- [redacted]	EY Remarks
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.	- 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
	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 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 ([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. [redacted] 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".	

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 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.	- 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>

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 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>

IV. [redacted]

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.	<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 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

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.	Disbursement done for clearing of overdues 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 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)	- 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.
	CNK Conclusion: 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.	

EY Building a better working world

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.

Sr. No.	CNK Observations - [redacted]	EY Remarks
B.	<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.	- 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.
C.	<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: S.No: Conditions for disbursement beyond 90% of the facility 1. The Borrower shall have created all the Securities in terms of the Clause 3.1A of this Agreement	- 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

Sr. No.	CNK Observations - [redacted]	EY Remarks
	<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] 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	

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	

VI. [redacted]

<table>
<tr><th>Sr. No.</th><th>CNK Observations - [redacted]</th><th>EY Remarks</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></table></td><td>- 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.</td></tr>
</table>

Sr. No.	CNK Observations - [redacted]	EY Remarks
	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 of the documents of the amount mentioned by the management in its response.	
B.	<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: SNo — Security 1. — Mortgage and exclusive charge on land acquired by Bhutiabahal Energy Pvt Ltd.	- 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.

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.

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.	

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.	

VIII. [redacted]

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

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.

Disbursement Details	Overdue	Overd	Disbursed
Disbursement Note (30.04.2019)	01.02.2019	1,59,68,450	
	01.03.2019	1,48,13,055	
	01.04.2019	1,67,11,576	
	Total	4,74,93,081	4,80,72,439
Disbursement Note (30.07.2019)	01.05.2019	1,58,86,298	
	01.06.2019	1,87,99,460	
	01.07.2019	1,83,41,688	
	01.08.2019	1,91,38,318.0	
	Total	7,21,65,764	7,21,65,764
Disbursement Note (29.11.2019)	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	
	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

</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>

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:	
	<u>CNK Conclusion:</u>	

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.

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:	

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.	

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>	

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	

XII. [redacted].

Sr. No.	CNK Observations - [redacted]	EY Remarks
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 [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.

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]/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 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	

Sr. No.	CNK Observations - [redacted]	EY Remarks
	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.	

Means of finance	Original Cost (Rs Cr)	Revised cost after de-scoping (Rs Cr)	Ideal revived cost after de-scoping (Rs Cr)
NHAI	118.00	84.10	85.59
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

	<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	

XIII. [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>

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>- 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.</td></tr>
<tr><td></td><td><u>CNK Conclusion:</u>

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

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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.

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.	<u>Non-compliance of pre-disbursement condition</u> 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.	<u>Disbursement despite diversion of funds by the borrowers</u> 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

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 ([redacted]. - 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;	

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.

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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>
<table>
<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 Department</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>
</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.
<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
</td><td></td></tr>
</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. Alteration in documents • 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. **CNK Comments** • 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. 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	- 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.

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. **<u>CNK Comments</u>** • 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. <u>Debt Service Reserve Account (DSRA) invoked without permission of co lender</u> • 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 [redacted] 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. **<u>CNK Comments</u>** • 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. <u>Issues related to Asset Liability Management Committee (ALCO) agenda notes and approved minutes</u> • 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. **<u>CNK Comments</u>** • 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. <u>Issues related to PFS Benchmark rate</u> • 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; **<u>CNK Comments</u>** • 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. <u>Corporate Governance Issues w.r.t. Loan Accounts</u> • 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.	

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.

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 account [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 [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 our preliminary findings on loan accounts-Point A);	- Please refer to EY remarks relating to the specific observations of the loan account.

Sr. No.	CNK Observations – Corporate Governance Issues	EY Remarks
	<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] 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. <u>Incorrect / incomplete information shared to the Board of Directors and non-Adherence of the Directives given by the Board</u> a) **<u>No process initiated for confirmation by internal auditors for compliance on loan related matters.</u>**	- 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.

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. **<u>CNK Comments:</u>** 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) **<u>Delays by management in providing information to Board</u>** 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

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". **<u>CNK Comments</u>** As can be seen from the above, the management has time and again delayed in sharing important information to the Board.	
	c) **<u>Communication of Independent Directors regarding N&R Committee ignored</u>** • 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 of [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.

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

<u>CNK Comments</u>
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>- No indication of suspected fraud in instant observation made by forensic auditor</td></tr>
<tr><td></td><td>b) <u>Issues highlighted by the RBI not closed</u></td><td>- 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</td></tr>
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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 for* [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* [redacted] *group 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] *a 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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	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:* *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;* *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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	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* **<u>CNK Comments</u>** 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.	- 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
	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. **CNK Comments** By using scanned signatures, the company violates the compliance of the Information Technology Act, 2000 and also the document	- 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

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	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.	

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.

- 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.

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