



17<sup>th</sup> November 2022

Manager Listing Department <b>BSE Limited</b> Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai- 400001 <b>Scrip Code:</b> 533344	General Manager Listing Department <b>National Stock Exchange of India Limited</b> Exchange Plaza, C-1, Block G, Bandra- Kurla Complex, Bandra (East), Mumbai- 51 <b>NSE Symbol:</b> PFS
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**Sub: Addendum to Clarification | Regulation 30 of LODR | Forensic Audit Report**

**Ref: Email dated 14<sup>th</sup> November 2022**

Dear Sir/Madam,

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

1. Management Comments on Forensic Audit

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)**

**PTC India Financial Services Ltd. (CIN: L65999DL2006PLC153373)**

(A subsidiary of PTC India Limited)

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# **PFS Management Response on CNK Final Forensic Audit Report**

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**PFS Management Response on CNK Final Forensic  
Audit Report on**

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

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

Section	CNK’s Observations	Management’s Response
<b>Appointment</b>	Based on the communication dated 26 <sup>th</sup> April 2022 and the announcement by the company to the stock exchanges on 27 <sup>th</sup> April 2022, the Company has appointed C N K & Associates LLP, (hereinafter referred to as “CNK”) for carrying out a Forensic Assignment vide letter dated May 27, 2022 as per the scope mentioned therein and referred to herein after.	The engagement letter was executed between PFS and CNK on 19 <sup>th</sup> July 2022. The onsite audit commenced on 18 <sup>th</sup> July 2022.
<b>Scope</b>	<p>The forensic audit emanated from the issues raised by the resignation of the 3 Independent Directors vide their letters dated 19 January 2022. The matters raised by these Independent Directors included:</p> <ul style="list-style-type: none"> <li>• Loan related matters;</li> <li>• Matters related to appointment of Mr. Ratnesh as CFO;</li> <li>• Other Corporate Governance matters</li> </ul> <p>For the Loan related matters, the Forensic Audit was to be focused on the following:</p> <p>Review of stressed assets (including all Stage 2 which are overdue) and Stage 3 loan accounts, including those which have been written off during the period 1st April 2019 to 31<sup>st</sup> March 2022:</p> <ul style="list-style-type: none"> <li>▪ Review of Electronically Stored Information (ESI), including email communications and documentation in relation of the loan facilities to ascertain any non-disclosure of relevant information (including information which is incorrect on financial reporting, loan recovery process and in relation to any fraud established through forensic audit report on any particular account) to the Audit Committee / Board which will have Material Impact;</li> <li>▪ Assess and report about implications of such missing information, if any identified, on recovery process and financial reporting of the Company for the stated period;</li> </ul>	<p>The forensic audit assignment was executed vide a Engagement letter executed by PFS on 19<sup>th</sup> July 2022. The scope of forensic audit is defined in Clause 3 of the EL. The audit period is defined in executed engagement letter to CNK as <b>1<sup>st</sup> April 2019 to 31<sup>st</sup> March 2022.</b></p> <p>No such events having a <b>“Material Impact”</b> is identified or reported by the forensic auditor in its final report.</p> <p>No instance of any missing information having a <b>“Material Impact”</b> is identified or reported by the forensic auditor in the its final report.</p>

Section	CNK's Observations	Management's Response
	<ul style="list-style-type: none"> <li>▪ On a sample basis, review sample of minimum 10% of total sanctions/ disbursements that took place during the Review Period;</li> </ul> <p>Note: The above sample size may be increased on the basis of the adverse results of review of selected samples sanctions/disbursements.</p> <ul style="list-style-type: none"> <li>▪ Review of the board's approved terms as mentioned in sanction letter (including any amendments of sanctions) and those mentioned in the loan agreement w.r.t compliance of conditions related to pre-disbursement conditions having Material Impact (including charge creation before disbursement), in the agreements signed with respective borrowers. Report instances of gaps or differences, if any;</li> <li>▪ Review of relevant Electronically Stored Information (ESI) including email communications, loan related documents, other documents, and data to ascertain the veracity of the issues raised by the Independent Directors of the Company in resignation letter/s dated 19th January 2022 having material impact on the company.</li> </ul> <p>“Material Impact” means any event which result in material adverse impact on financial position on the accounts of PFS and performed with sole motive of malafide intention / fraud wherein any such critical information was not disclosed to Audit Committee or Board and is in contravention of PFS policies or directions of the Board or statutory requirement, having significant impact on decision making related to such project /proposal.</p>	<p>The sample size was increased on multiple occasions, however no adverse results based on review of selected samples was informed to PFS. Management has provided information for all loan accounts selected as sample as and when requested.by Forensic Auditor.</p> <p>No such events having a “<b>Material Impact</b>” is identified or reported by the forensic auditor in its final report.</p> <p>No such events having a “<b>Material Impact</b>” is identified or reported by the forensic auditor in its final report.</p> <p>The material impact is specifically defined in the engagement letter. The assessment of material impact is key part of the forensic audit as per the terms agreed in the engagement letter to determine any material adverse impact on the financial position of PFS and performed with sole motive of malafide intention / fraud.</p> <p><b>Accordingly, in terms of the engagement letter, the forensic auditor is required to quantify the material impact, if any, otherwise it should be mentioned that the impact of observations is not material.</b></p>

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

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

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



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

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	<p>g) A confirmation, signed by a senior official of PFS, that was repeatedly sought by CNK from PFS that all information on the selected samples and areas of verification had been provided by the company has not been forthcoming. There is only a general email from the 'PFS Forensic Audit Team' and from a common email id, that all information has been provided. On our repeated request this email was signed by 5 officials of the company (and not by the MD &amp; CEO) and a scan copy send to us. In our view , this does not suffice to confirm the completeness of the information provided.</p>	<p>informed PFS that the timelines and scope mentioned in the engagement letter was indicative only. They have also not ensured confidentiality of information obtained from PFS and marked an email to RBI containing information about PFS and provided unauthorized access of pst of Ex-CS, [REDACTED], who is an outsider as on the date of review. It must be noted here that the Audit Committee has refused to finalize the accounts of PFS for Q4 and FY 22 for want of the Forensic Audit report. There is also enormous pressure from lenders, investors, rating agencies and other stakeholders to finalize these accounts. This default has impacted the Company's credit rating, public image, confidence of investors, growth of business and put it at risk of fines and regulatory repercussions. Hence the team supporting CNK has been urging them to adhere to the contracted scope and time lines.</p> <p>The Email Id "Forensic Audit" represents the committee of senior officials of the company authorized to coordinate with forensic auditor. It may be mentioned that during the course of forensic audit CNK team has communicated and coordinated with PFS (including submission of findings and draft report) through this email id only. As per section 10 A of Information Technology Act 2000 and The Indian Evidence Act 1872, email is a valid legal document. On request the email was also signed under stamp of company (On behalf) by 5 senior officials of the company.</p>
<b>Disclaimer</b>	<ol style="list-style-type: none"> <li>1. This report has been prepared based on the records, data and information provided to us and relevant provisions of the applicable statutes;</li> <li>2. This report is for internal use or circulation to the Management, the Board, its Committees and Regulators;</li> </ol>	<p>CNK has made a false statement as CNK has itself mentioned in the chronology that the EY engagement was mentioned by Chairman of PFS in the board meeting of 11th October 2022.</p> <p><i>PFS prepared a detailed response to each of CNK's preliminary findings, clarifying the numerous factual and</i></p>

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	<p>Inspite of the fact that the preliminary findings carried a similar restriction of not sharing the same with any outsiders, the company had, in breach of said confidentiality and without CNK concurrence, appointed an external consultant (EY) in August 2022 to assist the company to respond to the preliminary findings. This was highly irregular and unprofessional – both on behalf of the company and the said consultant. The company also never informed us of the same – we became aware of the same during the deliberations at the Audit Committee on 15 October 2022 which we invited to.</p> <ol style="list-style-type: none"> <li data-bbox="428 618 1150 716">3. Possession of this report, or a copy thereof, does not carry with it the right of publication of all or part of it nor may it be used for any other purpose, without the written consent of CNK;</li> <li data-bbox="428 727 1150 829">4. No changes to any item in this report shall be made by anyone other than CNK. CNK shall not be responsible for any such unauthorised change.</li> </ol>	<p><i>conceptual errors as well as refuting the unsubstantiated comments. The EY engagement was necessitated because multiple observations of CNK had similar/identical infirmities and required corrections/clarification/contextualization.</i></p> <p><i>PFS is an independent company and reserve the right to appoint any firm or consultant to assist it. PFS appointed the forensic team of █████ which is a globally reputed consulting firm and the leading forensic auditor in India. PFS engaged █████ to review PFS's responses and provide an independent view on CNK's observations and PFS's responses. Accordingly, █████ gave their comments after reviewing the PFS responses along with all supporting documents.</i></p>

## Chronology of Events

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

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

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

Date	Events	Management's Response
		NDA provided so as to take requisite approval internally for execution. PFS need to execute NDA before start of the audit work.
09 June 2022	-	PFS received complaint from shareholders regarding the non-transparent process of appointment of CNK as forensic auditor and CNK's relationship with an Ex-ID whose allegations is to be investigated by forensic auditor. The complaint is accompanied with supporting documents.
06 June 2022	No further response received and trip to PFS office for verification cancelled	Suo-moto action by CNK since PFS had not executed engagement letter till this date and no date was communicated to CNK for start the audit.
08 June 2022		<p>PFS received complaint against CNK from another shareholder with request to cancel CNK appointment on the basis of following factors:</p> <ol style="list-style-type: none"> <li>1) No competitive bidding / no price discovery – negotiation</li> <li>2) Non empanelment of CNK with SEBI</li> <li>3) CNK is conflicted and is not independent and has association with Ex-IDs</li> <li>4) Violation of corporate governance norms</li> <li>5) Lack of transparency in appointment of CNK</li> <li>6) Illegal appointment</li> <li>7) Violation of ethic, transparency and against minority shareholders</li> <li>8) Blatant use of power</li> <li>9) Corrupt appointment</li> </ol>
13 June 2022	Follow up email from CNK to PFS for availability of data and confirmation for commencement of onsite verification	<p>CNK email to PFS team (<b><u>addressed to same management / PFS team</u></b>) inquiring audit commencement. In the email <b>CNK reiterated that they intended to complete the verification and issue a draft report in 3 – 4 weeks on receipt of initial requirement information.</b></p> <p>Email was also marked to then CS, ██████████ (Left PFS in June 2022) for regulatory filings (if any) and to the Audit Committee Chairman Mr. ██████████ for his information and follow-up</p>
29 June 2022	Further follow up email from CNK to PFS for commencement of onsite verification	-

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

Date	Events	Management's Response
20 July 2022	Response provided by CNK on covering letter to EL objecting to additional conditions	CNK responded that CNK appointment was vide email dated 26 <sup>th</sup> April 2022 by the Chairman, Audit Committee, the report shall be submitted to the Audit Committee or any other person / regulator as directed by the Audit Committee.
20 July 2022	Status update on Initial requirement list provided by PFS	
21 July 2022	Email from PFS stating that only items having 'Material Impact' should be verified	<p>PFS responded CNK email stating that</p> <ol style="list-style-type: none"> <li>1) As per the executed EL, the forensic report should be based on items mentioned Clause 3 (Objective &amp; Scope) to report items having material impact. The material impact is defined in EL as below:  <i>“Material Impact” means any event which result in material adverse impact on financial position on the accounts of PFS and performed with sole motive of malafide intention / fraud wherein any such critical information was not disclosed to Audit Committee or Board and is in contravention of PFS policies or directions of the Board or statutory requirement, having significant impact on decision making related to such project /proposal.</i></li> <li>2) We need to comply with SEBI LODR Clause 17 (B) for Forensic Audit matter, extract of which is as below :  <b>17. Initiation of Forensic audit:</b>            In case of initiation of forensic audit, (by whatever name called), the following disclosures shall be made to the stock exchanges by listed entities:            b) Final forensic audit report (other than for forensic audit initiated by regulatory / enforcement agencies) on receipt by the listed entity along with comments of the management, if any.</li> <li>3) As per PFS communication to exchange ( enclosed), the company has appointed CNK as Forensic Auditor. LOI was also issued by the company. The executed Engagement Letter (EL) is addressed to “The Chairman” of the company</li> </ol>



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

Date	Events	Management's Response
	verification purposes	<p>PFS requested CNK to check and verify the data on PFS system only and not to take outside PFS system to CNK system. In executed EL drafted and executed by CNK, there is no provision on providing data outside PFS system to CNK system. However, despite the fact of presence of CNK team in PFS office since 18th July 2022 and verifying the relevant data, CNK stated that <b><i>“till that time such access and backup is provided we cannot even consider the assignment to have commenced”</i></b></p>
26 July 2022	Response from PFS on data access concern raised by CNK	<p>PFS response to CNK stating that :</p> <ol style="list-style-type: none"> <li>1) As per executed EL - “The Audit will be conducted as per the mandate.”</li> <li>2) PFS provided all requisite infrastructure to facilitative forensic audit including 6 workstations and three laptops and if required PFS will arrange additional infrastructure.</li> <li><b>3) in case any audit supporting backup needed by CNK then printout of relevant extracts may be provided on specific request</b></li> <li>4) PFS further requested to respect executed EL and not to insist any amendment in executed EL which has been duly approved in PFS system</li> <li><b>5) PFS further offered to provide any report generated by CNK using PFS SAP system.</b></li> </ol> <p>Until this date, PFS complied with 75 information requirements of CNK and provided majority loan files to CNK.</p>
27 July 2022		<p>CNK email stating that “In view of the confidentiality and indemnity clauses contained in the annexures to the signed EL, <b>we believe a separate NDA would not be warranted. Hence without any further discussions on the matter, we would not like to proceed in the matter.</b>”</p>
29 July 2022		<p>PFS email stating that:</p> <p><i>“As per our records we are in compliance with all requisite information requested by your kind office and have made available all requisite infrastructure and other requirements to CNK team for smooth conduct of audit. We request you to kindly</i></p>

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

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

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

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

Date	Events	Management's Response
		<p><u>It is to mentioned that it become 2 weeks only since 18 July 2022 till 1<sup>st</sup> August 2022 however CNK quoted the timeline as 3 weeks without any basis for their benefit. Further the data was provided on 18 July 2022 itself. CNK requested to provide data outside PFS system to CNK system on 26<sup>th</sup> July 2022 which was provided without 4 working days ( As per executed EL data is to be provided within one week from the date of receipt of requirement.</u></p>
23 August 2022	PFS informed uploading of requisite documents	PFS provided data requested by CNK vide its email dated 19 <sup>th</sup> August 2022.
24 August 2022	PFS informed that Statutory Auditor desires to discuss the scope and timeline for the forensic audit	-
24 August 2022	CNK team after a meeting with the PFS Forensic Audit team, shared the list of requirements and mentioned that the details should be duly certified on PFS letterhead by the PFS Forensic Audit team for completeness and affirmation that no other details on that subject are pending	CNK again provided additional list of items without any discussion on any audit findings till data.
25 August 2022	Email from PFS to CNK informing that data requested by CNK on 20 August 2022 regarding risk assessment is now shared	PFS provided information requested by CNK vide email dated 20 August 2022 and stated that <u>the company is in compliance of all requirements upto 24 August 2022.</u>
26 August 2022	Email from PFS to CNK mentioning the CNK defined scope and period to be covered and requesting to complete the assignment within the agreed timelines and provide the draft report	<p>PFS email stating</p> <ol style="list-style-type: none"> <li>1) As per EL, the timeline for completion of audit shall be 4 – 6 weeks from start of audit which is ending on 28<sup>th</sup> August 2022. Infact, before execution of EL, CNK committed to try to deliver a draft report within 3 weeks and the start date would also be the date the team visits PFS office for actual verification</li> <li>2) Company is facing immense pressure from regulators for completion of forensic audit at the earliest since the financial results for FY22 is pending to be approved and adopted, credit rating review is held up and further there are penal and other serious consequences on the Company, its promoter and Promoters of Promoter, and any further delay in completion of forensic audit may result in irreparable damage to the company</li> </ol>

Date	Events	Management's Response
		<p>3) PFS once again requested CNK to complete the assignment within the agreed timelines and provide us a draft report / discuss your observations, if any, till date on immediate basis. As regard to information requested vide email dated 24<sup>th</sup> August 2022, the same would be made available for the scope and period agreed as per EL between PFS and CNK</p>
27 August 2022	<p>Email from CNK to PFS mentioning that the timelines are indicative and based on the initial understanding of the assignment. Also, there were delays by PFS in providing data and in any case CNK intending to present the preliminary findings or draft observations in the next 1-2 weeks. The email from CNK also mentioned that “As far as providing draft observations are concerned, we would like to point out that many of these observations could relate to the actions of the current management taken in the last few years – we would hesitate to share the same with the same set of persons. We are therefore trying to gather as much evidence for these observations from other supporting documents. Without pointing to any specific person or putting allegations on any person, our team also believes that certain crucial information was withheld or deliberately not made available. We are trying to understand this from other supporting documents”.</p>	<p>CNK email stating:</p> <ol style="list-style-type: none"> <li>1) the time lines are indicative and based on the initial understanding of the assignment (<b><u>Before this it was never informed / mentioned by CNK that the timeline are indicative.</u></b>)</li> <li>2) Most of this information was provided in the 2<sup>nd</sup> / 3<sup>rd</sup> Week of August 2022 (<b><u>whereas CNK itself states that the requirements were provided in first week of audit itself on PFS system and on 1<sup>st</sup> August 2022 on CNK system</u></b>)</li> <li>3) <b>CNK also appreciate the efforts put in the PFS team.</b></li> <li>4) <b><u>CNK intend to present, in the next 1-2 weeks, preliminary findings or draft observation</u></b></li> </ol> <p><i>All information requested by CNK was provided item wise and CNK has neither list of information nor basis of not providing information and just given a general remark without substance.</i></p>
29 August 2022	<p>CNK orally requested PFS for meeting with ex-CS regarding NSL loan matters. PFS informed CNK that the ex-CS is not willing to meet the forensic auditor and asked CNK to send formal email for the same. Post the mail, it was confirmed that the ex-CS would visit PFS office to meet CNK. CNK had 2 meetings with the ex-CS in presence of the representatives of PFS. (29 Aug and 31 Aug)</p>	<p>The actual facts are as below:</p> <ol style="list-style-type: none"> <li>1) CNK vide its email dated 29<sup>th</sup> August 2022 requested PFS to arrange meeting with earlier CS- [REDACTED] for NSL related matter.</li> <li>2) PFS spoken to [REDACTED] and he expressed his unwillingness to meet forensic auditor.</li> <li>3) CNK requested PFS to send formal email to him with cc to CNK - In case CS refuses, CNK will try to explain the purpose of the meeting.</li> <li>4) PFS send email to [REDACTED] with cc to CNK and HR has also spoken to CS</li> </ol>



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

Date	Events	Management's Response
		<p>forensic audit at the earliest. Further the financial results for FY22 is pending to be approved and adopted, credit rating review is held up, banks are reviewing credit lines and further there are penal and other serious consequences on the Company, its promoter and Promoters of Promoter, and any further delay in completion of forensic audit may result in irreparable damage to the company and its stakeholders</p> <p>PFS requested CNK to complete the assignment since the agreed timelines have already elapsed and provide us a draft report / discuss your observations, if any, on immediate basis.</p>
30 August 2022	Email from CNK to PFS mentioning that CNK will correspond with Audit Committee and regulators and share the verification process and the chronology of details provided so far and adhere to directions they may have in this regard	In executed engagement letter there is no such provision. CNK suo-moto deviating from executed EL.
30 August 2022	Email from CNK to PFS requesting to share the requirements requested on 24 August 2022	The requirement list containing many items which were provided to CNK on day of Audit ( i.e. 18 July 2022). PFS responded email on 1 <sup>st</sup> September 2022.
30 August 2022	PFS again asked CNK to share the draft observations	<p>PFS email stated that</p> <ul style="list-style-type: none"> <li>- PFS understand that CNK is unwilling to share their draft observations with PFS management for management response. These observations are required to be shared on weekly basis (as per term of executed EL) for timely closure of forensic audit. In the absence of any draft observation, PFS management is having no opportunity of being heard resulting in further delay in finalization of forensic audit. PFS solicit your support as above.</li> </ul>
31 August 2022	Meeting with Statutory Auditor of PFS in presence of PFS team	The meeting was held in PFS office where forensic auditor verbally informed in presence of PFS representatives and statutory auditor that there are no observations with financial implications.
01 Sept 2022	Email from CNK to PFS requesting for clarifications for selected loan related files	-

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

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

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

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

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

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



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

Date	Events	Management's Response
		observations, if any, on immediate basis as the same need to be updated to various stakeholders including regulators.
15 Sept 2022	Email letter from PFS to CNK listing 12 points and again requesting CNK to attend Board Meeting on 16 August 2022 – to which CNK responded to each point refuting the allegations	<p>PFS requests CNK to:</p> <ul style="list-style-type: none"> <li>• adhere to the timelines agreed in the EL;</li> <li>• submit the report to the Board by end of this week;</li> <li>• attend the Board Meeting to be held on 16.09.2022 and provide a status update of the forensic audit report;</li> <li>• periodically provide discussion of draft report at the end of every week to the management</li> <li>• ensure that the information obtained from PFS during the course of forensic audit is maintained with confidentiality</li> </ul>
16 Sept 2022	Email from PFS to CNK requesting the confirmation of definition of major expense through Corporate Debit Card (details sought on 24 August) as per their discussion with a CNK team member	-
16 Sept 2022	Email from PFS to CNK confirming that requisite arrangements will be made and again requesting completion of the forensic audit at the earliest	<p>PFS email stated:</p> <p>We are making requisite arrangements (requested same date).</p> <p>Further, as may be aware to your office, the audit period as per executed engagement letter has expired on 28<sup>th</sup> August 2022 and we are now about to enter in <u>tenth week of forensic audit since start</u> (against committed timeline of 4 -6 weeks by CNK) and, despite our repeated request and humble submissions; we are still waiting for any audit observation / draft report. Due to this the company is facing serious challenges including financial / reputational damages. We once again request you to provide your audit observation / draft report on immediate basis.</p> <p>Looking forward for your kind support and co-operation</p>
17 Sept 2022	Email from CNK to PFS mentioning that once all the	CNK just given a general remark with no list of pending information stating that

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

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

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

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

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

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



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

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

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

Date	Events	Management's Response
	<ul style="list-style-type: none"> <li>• 3 Loan accounts (18 pages) and</li> <li>• Corporate Governance (22 pages and 25 pages of exhibits).</li> </ul> <p>Further, CNK informed that the verification process has been only temporarily kept on hold – the teams may need to visit PFS to verify additional documents / exhibits basis the response to the preliminary findings I and II. Also, that final view on the preliminary findings (sent on 23 September 2022 and as enclosed) along with a reproduction of the responses from the company for those respective points included therein will be issued as draft report/s. CNK also informed that they are working for an early closure of the assignment.</p>	prominence.
11 Oct 2022	<p>██████████, senior partner of CNK attended the board meeting wherein discussion was done on the timelines of the forensic Audit. No time commitment was given by CNK since the process was on-going.</p>	
12 Oct 2022	<p>In response to CNK mail of 7 October 2022, PFS informed that in respect of the preliminary findings received on 23rd September 2022, CNK are requested to confirm their availability for discussions in our office at the earliest to ensure the closure of forensic audit as per the timelines discussed in board meeting on 11 October 022.</p>	<p>PFS email stated</p> <p>Further to the response provided to you vide our email dated 7th October 2022, in respect of the preliminary findings received on 23rd September 2022, you are requested to confirm your / your team's availability for discussions in our office at the earliest in order to ensure the closure of forensic audit as per the timelines discussed yesterday in PFS board meeting.</p> <p>Look forward for your kind support as above.</p>
13 Oct 2022	<p>It was informed to PFS that 2022 CNK are in the process of reviewing the response to the preliminary findings sent on 7 Oct 2022 and requested to send response to Preliminary Findings II sent on 11 October 2022. Also, CNK will be shortly sending list of further documents</p>	<p>CNK email stated</p> <p>We are in the process of reviewing your response sent on 7 Oct 2022 to the preliminary findings. We request you to also sent your response to our remaining preliminary findings sent on 11 October 2022. Please note that your responses on</p>

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

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

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

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



Date	Events	Management's Response
	audit may be completed within 4 days from the date of Audit Committee meeting	<p>has provided:</p> <ol style="list-style-type: none"> <li>1. All the information as requested by CNK for conduct of forensic audit in line with the agreed scope.</li> <li>2. All the available loan files for the respective loan accounts requested by CNK.</li> <li>3. Complete account statement for loan accounts as requested by CNK.</li> <li>4. All available third-party reports as requested by CNK for particular loan accounts.</li> <li>5. All sanction agenda note and related documents, minutes, sanction letters, amendment notes and letters, disbursement notes and other specific details as requested by CNK for particular loan accounts.</li> <li>6. PST of Ex-CS and MD &amp; CEO as requested by CNK.</li> <li>7. All agendas of PFS Board and Board sub-committees and minutes of meetings for forensic audit period as per agreed EL.</li> <li>8. All documents available with company pertaining to appointment of Shri Ratnesh.</li> <li>9. Such other information / explanation / clarification as requested by team CNK from time to time.</li> </ol> <p>PFS Email 2 – stating that</p> <p>We have provided relevant documents to your team visited our office today. We have been informed that the person visited is not authorized for any discussions. Please note that PFS audit committee dated 15th October 2022 emphasizes the need for discussion between management and CNK. Accordingly, we once again request to kindly visit our office on most priority for discussion on draft report so as the forensic audit may be completed within 4 days from the date of Audit Committee meeting.</p> <p>Looking forward for your kind support and co-operation as above.</p>
18 Oct 2022	PFS sent response to CNK preliminary findings on Corporate Governance issues.	
19 Oct 2022	PFS again informed CNK that the draft report of forensic audit is to be made available by 19th October 2022	PFS email stating that

Date	Events	Management's Response
	<p>CNK replied to the same that they are in the process of reviewing the responses to the preliminary findings (the last of which on Corporate Governance was received only yesterday evening). Based on the same, draft reports will be issued – a prior discussion with the management will also be requested, if required, for the same.</p>	<p>As discussed and agreed in the audit committee meeting held on 15<sup>th</sup> October 2022, the draft report of forensic audit shall be made available by 19<sup>th</sup> October 2022. We expect to receive the draft report for our review by end of the day.</p> <p>Looking forward for your kind support and co-operation as above.</p> <p>C N K email stating that</p> <p>We are in the process of reviewing the responses to the preliminary findings (the last of which on Corporate Governance was received only yesterday evening). Based on the same, draft reports will be issued – a prior discussion with the management will also be requested, if required, for the same.</p> <p>The teams are trying their best to do the above at the earliest.</p>
21 Oct 2022	<p>CNK informed PFS that CNK team are currently working on issuing draft report/s for:</p> <ul style="list-style-type: none"> <li>• Loan Accounts;</li> <li>• Appointment of ██████████</li> <li>• Corporate Governance matters.</li> </ul> <p>Further, it was once again requested to share a copy of the report of the external consultant which CNK would need to review before issuing the above draft report/s. This will be without prejudice to our right of initiating legal action/s against the company and/or the consultants for sharing of confidential information to outsiders.</p>	
21 Oct 2022	<p>PFS shared the report of ██████████ as requested by CNK . Reply by CNK that the ██████████ report as well as the response received on preliminary findings is being looked into.</p>	<p>PFS email stating that</p> <p>As directed by Audit Committee we are forwarding herewith the report of ██████████ as requested by your office strictly for information only.</p> <p>Kindly note that the ██████████ report is highly confidential and should not be shared with any third party in any manner, whatsoever.</p> <p>Looking forward for having forensic audit report immediately.</p>
21 Oct 2022		<p>PFS email stating that</p> <p>We have provided response on your forensic audit observations and the ██████████</p>

Date	Events	Management's Response
		<p>report.</p> <p>Kindly provide your draft report on immediate basis since PFS has been advised by regulators for the completion of forensic audit at the earliest.</p> <p>Looking forward to your co-operation in this regard.</p>
22 Oct 2022		<p>C N K email stating that</p> <p>As already mentioned yesterday, our teams are currently working on issuing draft report/s for:</p> <ul style="list-style-type: none"> <li>• Loan Accounts;</li> <li>• Appointment of [REDACTED]</li> <li>• Corporate Governance matters.</li> </ul> <p>We have received the management responses on Corporate Governance only before few days and the [REDACTED] report was sent only yesterday. We are reviewing the same. Also, please note that due to the Diwali holidays the teams will not be continuously able to work over the next few days.</p>
24 Oct 2022	Submission by CNK of Draft Reports on Loan Accounts, Appointment of [REDACTED] and Corporate Governance Matters.	-
24 Oct 2022	Email by PFS mentioning that all responses to the preliminary findings were not included in the draft reports and displeasure regarding CNK questioning the assistance taken by PFS from EY on preliminary findings.	<p>Without prejudice to our rights for management submissions in response to draft report ; we refer page no. 4 (Loan Account) whereas it has been stated that</p> <p>“ During discussions with the management, views was expressed that ‘evergreening’ can be invoked.....”</p> <p><b>which is completely false and beyond fact. CNK had not discussed any finding / observations with PFS management despite repeated request from PFS management (over phone, on emails , requests in person in PFS office to CNK’s team members including partner). It is further to mention that CNK has been maintaining its stand all along that they will not discuss any findings / observations with any official of the company including management despite executing the engagement letter and having PFS Board directions. This is also evident from CNK email dated 19th October 2022.</b> Further, PFS has already in its response clarified that there is no instance of ever-greening in</p>

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

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

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

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

**PFS Management Response on CNK Final Forensic  
Audit Report on**

**Loan Accounts**



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

The summary of sample loan accounts reported in the Final Report

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

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

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

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

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

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

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

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

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

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

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

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

**Note: Meaning of 'Evergreening'**

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

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

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	<p><u>(CARO 2020).</u></p> <p>“This clause is a new reporting requirement. This clause requires reporting in respect of loan or advance in the nature of loan granted which has fallen due during the year and has been renewed or extended or fresh loans granted to settle the overdues of existing loans given to the same parties. This clause is inserted to identify instances of ‘evergreening’ of loans /advances in nature of loans. [Note: The term ‘evergreening’ is not defined in the Act. However, in general parlance it implies an attempt to mask loan default by giving new loans to help delinquent borrowers to repay/adjust principal or pay interest on old loans.]”</p> <p><u>Extract of master Direction- Non Banking Financial Company- Systemically important Non-Deposit taking Company and Deposit taking company ( Reserve Bank) Directions, 2016 (updated July 22, 2022)</u></p> <p>As per para 1.3 of above circular “ NBFC have been allowed to fund cost overrun, which may arise on account of extension of DCCO within the time limits quoted at (iii)(a) to (b) above, without treating the loans as ‘ restructured asset’ subject to the following condition:</p> <p>I. NBFCs may fund additional ‘interest during Construction’, which may arise</p>	<p>a) <b>Sanction of additional loan</b> : It is <b>reiterated</b> that in <b>none of the loans</b> where CNK has raised the issue of ‘evergreening’ or ‘possible evergreening’, any <b>additional loans have been sanctioned by PFS</b>. The following table clarifies the above:</p> <table border="1" data-bbox="800 399 1961 1175"> <thead> <tr> <th>S No .</th> <th>Loan Account</th> <th>Term used by CNK</th> <th>additional loan sanctioned</th> <th>IDC was part of approved project cost</th> <th>Whether the Loan account is active at Mar’2022</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>██████████ ██████████ ██████████</td> <td>Evergreening</td> <td>No</td> <td>Yes</td> <td>Yes (Stage II)</td> </tr> <tr> <td>2</td> <td>██████████ ██████████ ██████████</td> <td>Possible evergreening</td> <td>No</td> <td>Yes</td> <td>Yes (Stage III)</td> </tr> <tr> <td>3</td> <td>██████████ ██████████ ██████████</td> <td>evergreening</td> <td>No</td> <td>Yes</td> <td>Yes * (Stage III) (date of NPA: 01-May 2020)</td> </tr> <tr> <td>4</td> <td>██████████ ██████████ ██████████ ██████████ ██████████</td> <td>Possible evergreening</td> <td>No</td> <td>Yes</td> <td>No (date of NPA : 31<sup>st</sup> March 2018)</td> </tr> <tr> <td>5</td> <td>██████████ ██████████ ██████████</td> <td>Evergreening</td> <td>No</td> <td>Yes</td> <td>No (date of NPA : 30<sup>th</sup> June 2016)</td> </tr> <tr> <td>6</td> <td>██████████ ██████████ ██████████</td> <td>Evergreening</td> <td>No</td> <td>Yes</td> <td>No (date of NPA : 31<sup>st</sup> March 2018)</td> </tr> <tr> <td>7</td> <td>██████████ ██████████</td> <td>Possible evergreening</td> <td>No</td> <td>Yes</td> <td>No (date of NPA : 30<sup>th</sup> Sept 2015)</td> </tr> </tbody> </table> <p>*The loan is no more in the books of PFS w.e.f. 4th April 2022 due to OTS by the new promoter under resolution process</p> <p>b) <b>Repayment of principal or interest of the old loan from the additional loan</b> : As <b>no additional loan</b> has been sanctioned by PFS in all the loan accounts where CNK has mentioned the instance of ‘evergreeing’ or ‘possible evergreening’, so the question of repayment of principal or payment of interest of the old loan from the additional loan does not arises in the first place itself.</p>	S No .	Loan Account	Term used by CNK	additional loan sanctioned	IDC was part of approved project cost	Whether the Loan account is active at Mar’2022	1	██████████ ██████████ ██████████	Evergreening	No	Yes	Yes (Stage II)	2	██████████ ██████████ ██████████	Possible evergreening	No	Yes	Yes (Stage III)	3	██████████ ██████████ ██████████	evergreening	No	Yes	Yes * (Stage III) (date of NPA: 01-May 2020)	4	██████████ ██████████ ██████████ ██████████ ██████████	Possible evergreening	No	Yes	No (date of NPA : 31 <sup>st</sup> March 2018)	5	██████████ ██████████ ██████████	Evergreening	No	Yes	No (date of NPA : 30 <sup>th</sup> June 2016)	6	██████████ ██████████ ██████████	Evergreening	No	Yes	No (date of NPA : 31 <sup>st</sup> March 2018)	7	██████████ ██████████	Possible evergreening	No	Yes	No (date of NPA : 30 <sup>th</sup> Sept 2015)
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	<p>on account of delay in completion of a project;</p> <p>II. Other cost overrun (excluding interest During Construction) up to a maximum of 10% of the original project cost. The ceiling is applicable to financing of all other cost overrun (Excluding interest during construction), including cost overrun on account of fluctuation in the value of Indian Rupee against other currencies , arising out of extension of date of commencement of commercial operation;</p> <p>III. The debt equity ratio as agreed at the time of initial financial closure shall remain unchanged subsequent to finding cost overrun or improve in favor of the lender and the revised debt Services Coverage Ratio shall be acceptable to the lender;</p> <p>IV. Disbursement of the funds for cost over runs shall start only after the sponsors/Promoters bringing their share of funding of the cost overrun; and</p> <p>V. All other term and conditions of the loan shall remain unchanged or enhanced in favour of the lenders.”</p> <p><u>CNK Comments</u></p>	<p>Notwithstanding the above, it is also pertinent to mention that in case of infrastructure projects, which are of long gestation period as there are no cash flows during its construction stage, the ‘Interest During Construction’ (IDC) is a legitimate expense to be met from the disbursement of sanctioned loan and included in the project cost which is approved by the sanctioning authority. In all loan accounts where CNK has raised instances of ‘evergreening’ or ‘possible evergreening, the IDC as part of the project cost has been approved by the Board of PFS. It also forms part of the loan agreement as project cost. The dues which may have been met from the disbursement from the loan and referred to CNK as instance of ‘evergreening’ or ‘possible evergreening’ pertains to disbursement to meet the interest payment (which is classified as IDC in CA certificate) and that too without sanction of any additional loan.</p> <p>It is also pertinent to mention that as per RBI Master direction for NBFC, in case there is delay in project execution NBFCs have been allowed to fund the entire additional Interest During Construction (IDC) including other cost overruns up to a maximum of 10% of the original project cost, without treating the loans as ‘restructured asset’. Thus, RBI also recognizes the fact that IDC is a legitimate expenditure during project execution and can be met from the disbursement of the loans from the lenders.</p> <p>It is therefore clear from the above that the instances of ‘evergreening’ or ‘possible evergreening’ as mentioned by CNK in certain loan accounts are <b>thus baseless and not borne out of facts</b> as PFS has <b>not sanctioned any additional loan</b> in all these loans accounts. Further, the dues which may have been met from the disbursement of loan relates to IDC and are legitimate expenditure of the project cost approved by the Board and included in the loan agreements under project cost.</p> <p>Further, the contention by CNK that “Our view, however, is that the term ‘evergreening’ carries a much wider meaning whereby if further disbursements of an existing approved loan are made to clear overdue interest / instalments, it would still amount to ‘evergreening’. Since, such actions helps a lender mitigate the chances of classification of the account as NPA and subsequent provisioning and reporting, we believe the same also amounts to ‘evergreening’. The contention of CNK is not based on any regulation and is stretching the argument on ‘evergreening’ by CNK on their own by considering its “wider meaning” <u>without any basis or authority</u> for arriving at such a conclusion. If the industry were to go by CNK’s uninformed interpretation, after the initial disbursement, every subsequent disbursement would tantamount to an instance of ‘evergreening’ as in case of infrastructure projects, the IDC is an integral part of the project cost and a legitimate expenditure to be met from loan disbursement. This is because the project has no revenues during the construction phase till the DCCO. For the sake of clarity, it is reiterated that IDC starts accruing</p>



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

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

I. [REDACTED] :

Sr. No.	CNK Observations- [REDACTED]	Management Response																								
A	<p><u>Modifications in critical sanction conditions post sanction approval from Board of Directors (BOD)</u></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Sr N</th> <th style="text-align: center;">Existing Condition</th> <th style="text-align: center;">Amended Clause</th> </tr> </thead> <tbody> <tr> <td colspan="3">As per PFS letter dated 25 February 2014</td> </tr> <tr> <td style="text-align: center;">a)</td> <td>Security:</td> <td></td> </tr> <tr> <td></td> <td>100% pledge of shares of the borrower company equivalent to the total paid up capital at the time of disbursement of bridge loan.</td> <td>                     100% pledge of shares of the borrower company equivalent to the total paid up capital to be pledged in the following manner;                     <ul style="list-style-type: none"> <li>a) 85.53% shares of project company held by NNPVPL to be pledged in demat form upfront;</li> <li>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 61<sup>st</sup> 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.</li> </ul> </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 style="text-align: center;">b)</td> <td>Security:</td> <td></td> </tr> <tr> <td></td> <td>100% pledge of shares of the borrower company equivalent to</td> <td>Minimum 85.54% pledge of shares of the borrower company to be pledged in</td> </tr> </tbody> </table>	Sr N	Existing Condition	Amended Clause	As per PFS letter dated 25 February 2014			a)	Security:			100% pledge of shares of the borrower company equivalent to the total paid up capital at the time of disbursement of bridge loan.	100% pledge of shares of the borrower company equivalent to the total paid up capital to be pledged in the following manner; <ul style="list-style-type: none"> <li>a) 85.53% shares of project company held by NNPVPL to be pledged in demat form upfront;</li> <li>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 61<sup>st</sup> 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.</li> </ul>	PFS internal letter dated 10 March 2014 pursuant to request letter of [REDACTED] for change in terms and conditions as below against the original sanction letter dated 5 February 2014 and 25 February 2014				Condition as amended vide letter dated 25 February 2014	Amended Clause	b)	Security:			100% pledge of shares of the borrower company equivalent to	Minimum 85.54% pledge of shares of the borrower company to be pledged in	<p>CNK observation is beyond audit review period (01<sup>st</sup> April 2019-31<sup>st</sup> March 2022). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below:</p> <p>The loan account was sanctioned by then PFS Board in its meeting dated 28<sup>th</sup> January 2014. As per minutes of Board meeting, MD or his authorized representative was authorised to approve and amend general terms and conditions including special conditions – pre commitment/pre-disbursement and other conditions of debt sanction as may be necessary.</p> <p>The terms and conditions mentioned in the CNK observation were duly approved by the then MD&amp;CEO (after due deliberation and justification proposed by relevant department), the same were as per Delegation of Power of the Company.</p> <p>The rationale for the amendment was explained in the approval note, which was shared with CNK. However, regrettably, these facts have not been included in CNK’s report.</p> <p>The above mentioned clauses were duly approved in Feb 2014, through the then MD&amp;CEO (after due deliberation and justification proposed in the amendment note) as per Delegation of Power (DOP) of the Company.</p> <p>These amendments were done by PFS as per the delegation of power of Company only and these business decisions have been taken in the interest of the project based on the then prevailing market dynamics. Further, these management-approved amendments have been informed/ apprised to the Board for information in its quarterly meetings.</p>
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Sr. No.	CNK Observations- [REDACTED]	Management Response
	<p>the total paid up capital to be pledged in the following manner;</p> <p>a) 85.53% shares of project company held by [REDACTED] to be pledged in demat form upfront.</p> <p>b) 14.47% share of project company held by [REDACTED] [REDACTED] to be pledged in demat form within 60 days from first disbursement. Additional 1% interest p.a. shall be charged from 61<sup>st</sup> 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.</p> <p>following manner;</p> <p>a) All shares of project company held by [REDACTED] to be pledged in demat form (including 50 shares held by nominees in physical form) upfront except for additional shares amounting to Rs. 295 crores allotted on 10 February 2014 which shall be pledged within 30 days' time from the date of documentation.</p> <p>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%</p> <p>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.</p> <p>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.</p>	<p>Please refer to <b>Exhibit 1A</b> for details on the justifications proposed to MD&amp;CEO prior to his approval.</p> <p><b><u>Financial impact on PFS loan account</u></b></p> <p>As at March 31, 2022, PFS has provision amounting to Rs. 125 crore i.e. 100% of loan outstanding, therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.</p>
B.	<p><u>Modification regarding initial disbursement date vs loan documentation date</u></p> <p>Basis email communication from [REDACTED] (PTC India) to [REDACTED] (PFS) dated 10 March 2014 wherein correction has been made in sanction letter for</p>	<p>CNK observation is beyond audit review period (01<sup>st</sup> April 2019-31<sup>st</sup> March 2022). Despite of the above observation being out of</p>

Sr. No.	CNK Observations- [REDACTED]	Management Response						
	<p>NSL bridge loan in relation to penal for non-creation of security, which has been shifted from pre disbursement to pre commitment condition.</p> <table border="1" data-bbox="268 332 1234 641"> <thead> <tr> <th data-bbox="268 332 751 370">Earlier Term</th> <th data-bbox="751 332 1234 370">Modified Term</th> </tr> </thead> <tbody> <tr> <td data-bbox="268 370 751 495">Additional interest of 1% pa will be charged from 61<sup>st</sup> day from the <u>initial disbursement date</u></td> <td data-bbox="751 370 1234 495">Additional interest of 1% pa will be charged from 61<sup>st</sup> day from the <u>Loan documentation date</u></td> </tr> <tr> <td data-bbox="268 495 751 641">If security is not created in 120 days from <u>initial disbursement date</u>, PFS shall have right to declare event of default (EOD)</td> <td data-bbox="751 495 1234 641">If security is not created in 120 days from <u>Loan documentation date</u>, PFS shall have right to declare EOD</td> </tr> </tbody> </table> <p><b>Though the above changes may not materially impact the company</b>, the above were unilaterally done by the PFS legal team in the loan agreement on the same date as the date of loan documentation.</p> <p>We have not been able to obtain and verify the fact whether such modifications were subsequently presented to the Board for their approval.</p> <p>There is no internal approval note available for the same, which indicates that the modifications were done suo-moto by the company officials.</p> <p>In our view, being a stringent modification, internal approval should have been taken for the same.</p>	Earlier Term	Modified Term	Additional interest of 1% pa will be charged from 61 <sup>st</sup> day from the <u>initial disbursement date</u>	Additional interest of 1% pa will be charged from 61 <sup>st</sup> day from the <u>Loan documentation date</u>	If security is not created in 120 days from <u>initial disbursement date</u> , PFS shall have right to declare event of default (EOD)	If security is not created in 120 days from <u>Loan documentation date</u> , PFS shall have right to declare EOD	<p>scope, however, to give full clarity, the management response is given below:</p> <p>The referred clarification was only applicable for one security covered by para B (iii) b, which is missing in the observation. The security mentioned at para B(iii)b is “Balance 3% shares to be pledged within 60 days from loan documentation” (that is the pledge of NSL Energy Venture Pvt Ltd).” and as mentioned by the compliance of which was modified from 61st day from the initial disbursement to 61st day from the loan documentation date which is in favor of PFS as the loan documentation date is prior to loan disbursement date hence the penal charges (if any) will also be levied to cover the period from Loan document date to Loan disbursement date.</p> <p>Before execution, MD approval obtained by the legal team and MD is competent authority as per the Board approved delegation of power.</p> <p><b><u>Financial impact on PFS loan account</u></b></p> <p>As at March 31, 2022, PFS has provision amounting to Rs. 125 crore i.e. 100% of loan outstanding, therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.</p>
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If security is not created in 120 days from <u>initial disbursement date</u> , PFS shall have right to declare event of default (EOD)	If security is not created in 120 days from <u>Loan documentation date</u> , PFS shall have right to declare EOD							
C.	<p><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></p> <p>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.</p>	<p>CNK observation is beyond audit review period (01<sup>st</sup> April 2019- 31<sup>st</sup> March 2022). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below:</p> <p>PFS has provided Rs 125 cr bridge loan as a sub-limit of long-term project debt which had already been sanctioned by the Board of PFS vide 57<sup>th</sup> Board Meeting dated 28<sup>th</sup> January 2014.</p>						

Sr. No.	CNK Observations- [REDACTED]	Management Response
	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Similar observation was also highlighted by RBI vide their email dated 14 February 2022 to the Company as reproduced below:</p> <p>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.</p>	<p>As per the Board agenda for bridge debt, it was proposed that the bridge loan facility would be converted into long-term debt from the disbursement of long-term lenders. In view of the fact that PFS was supposed to be the long-term lender at the time of financial closure, PFS had considered for the extension in SCOD during its bridge loan tenor. Further original SCOD as July 2016 was also provided as per the terms and condition in the agenda note at the time of sanction by the Board. It is to clarify that the SCOD was also extended upto March 2019 due to the delay in the project implementation has been duly approved by Board.</p> <p>It is to be clarified that in project finance/loan, when a financial assistance is being provided, it is in the form of long term loan. Further, when a financial assistance is being provided in form of sub-limit, then any change in any term of either sub-limit or main limit would be having automatic effect on the term of dependent limit.</p> <p>Thus, considering the above facts presented to the Board, the SCOD extension was considered by PFS since the bridge debt sanctioned by PFS was towards Project Finance only which was a to be converted into long term debt at the time of financial closure.</p> <p><b><u>Financial impact on PFS loan account</u></b></p> <p>As at March 31, 2022, PFS has provision amounting to Rs. 125 crore i.e. 100% of loan outstanding, therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.</p>
D.	<p><u>Comments on Due Diligence and Legal report not considered by PFS</u></p> <p>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</p>	<p>CNK observation is beyond audit review period (01<sup>st</sup> April 2019-31<sup>st</sup> March 2022). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below:</p>

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

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



Sr. No.	CNK Observations- [REDACTED]	Management Response
		incremental financial impact w.r.t. this loan account on PFS financials.
F.	<p><u>Delays in attending to hearings of Hon'ble Supreme Court leading to a delay in resolution of the account</u></p> <p>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.</p> <p>It has been observed that there had been constant postponements in the hearing before the Hon'ble Supreme Court (SC) against the order of NCLAT. The same can be evidenced by an internal communication dated 28th November 2019 wherein the management has requested opinion of legal counsel for adjournment of hearing without stating of any specific reason. In our view, these adjournments led to delay in resolution of the account, which could have been resolved had the adjournments not been obtained by the Company. It is also worthwhile to note that the Board of Directors were not apprised of such adjournments being sought by the Company.</p> <p>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).</p> <p>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."</p>	<p>An initial OTS offer was received from [REDACTED] the holding company in May 2019 and the offer was without any EMD amount continuous attempt made to improve the offer. Further, a clear cut legal opinion to be taken to protect PFS's interest with regard to the Offer for Settlement submitted by [REDACTED] particularly with respect to ongoing case i.e. u/s 138 and NCLT / NCLAT.</p> <p>As per the legal opinion from [REDACTED] obtained through office of head legal and company secretary Sh. [REDACTED], Legal Counsel of PFS, inter-alia, stated that "<i>There is strong merit in the case of PFS, as it has not realized any value from the shares on which the pledge was invoked. If PFS's argument is accepted by the Hon'ble Supreme Court, the RP would then accept the entire claim of PFS as a financial creditor, and PFS would become a part of the COC of [REDACTED] with majority voting share. However, even after becoming a member of the COC, the amount which PFS would ultimately receive as against its outstanding would depend on the resolution or liquidation of [REDACTED], as the case may be. It is also important to keep in mind that as IBC is a recent legislation, not many precedents are available, and there can thus be no certainty as to the decision of the Hon'ble Supreme Court in the appeal pending before it. In this context, PFS needs to ascertain the possibility of recovering its dues.</i>" (refer <b>Exhibit 1J</b>)</p> <p>Keeping in view of the aforesaid legal opinion, experience/knowledge of settlement in other cases, it is clear that it would have been difficult to achieve more than about 20% recovery of dues through IBC process. This is because IBC was a recent legislation and not many precedents were available. It is</p>

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

Sr. No.	CNK Observations- [REDACTED]	Management Response
		<p>borrowers attempted to evade their liability by asserting that mere invocation of dematerialised pledged shares resulted in discharge of debt.</p> <p>In fact PFS needs to be accolade for such landmark Judgement from Hon'ble Supreme Court.</p> <p>Nevertheless, it may be noted that despite of judgment of Hon'ble Supreme Court pronounced in May 2022 in favor of PFS, though RP has given a seat to PFS in the CoC of resolution process of the instant account, NCLT is yet to convene any hearing for the loan account for last the 4 months. Thus, it is evident that addressing stress through legal route is a longish process without any timeline and without any clarity on the amount to be received against the loan.</p> <p><b><u>Financial impact on PFS loan account</u></b></p> <p>As at March 31, 2022, PFS has provision amounting to Rs. 125 crore i.e. 100% of loan outstanding, therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.</p>
G.	<p><u>Delayed presentation of One Time Settlement offer (OTS) to Board</u></p> <p>[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.</p> <p>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.</p>	<p>As mentioned in the reply to point no G, an OTS offer was received from [REDACTED] the holding company in May 2019, however, the same was without any EMD amount. Further, as mentioned above in reply to point no. "G" of CNK, PFS tried to improve upon the OTS offer knowingly that PFS already had adverse ruling from NCLT, the appeal against the order was turned down by NCLAT and in case PFS would have lost in Supreme Court the chances of recovering of dues would have suffered.</p> <p>In the meantime, PFS was also in the process of finalizing the OTS policy as in the 1<sup>st</sup> meeting of "Group of Directors" (GOD) held on 6<sup>th</sup> Nov'2019 while discussing on an OTS proposal of</p>

Sr. No.	CNK Observations- [REDACTED]	Management Response																		
	<p>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.</p>	<p>another account, it was desired that “PFS may prepare the guidelines to be followed for any settlement proposal and the same may be presented in the next meeting of the GOD for their review.” Admittedly, no further OTS proposal could have been placed without the approval of the OTS policy by the Board. The OTS policy of PFS was put up in the GOD’s 2<sup>nd</sup> meeting held on 4<sup>th</sup> Dec’2019, then in the next meeting held on 1<sup>st</sup> Feb’2020 after incorporating the suggestion made in the earlier meeting. After recommendation from GOD the OTS policy was approved by PFS board only in the month of June 2020. (refer <b>Exhibit 1K</b>)</p> <table border="1" data-bbox="1268 623 1963 1398"> <tbody> <tr> <td data-bbox="1268 623 1409 699">8<sup>th</sup> May 2019</td> <td data-bbox="1409 623 1963 699">Receipt of OTS offer from the promoter of [REDACTED] without EMD</td> </tr> <tr> <td data-bbox="1268 699 1409 776">6<sup>th</sup> Nov 2019</td> <td data-bbox="1409 699 1963 776">Group of Directors (GOD) a sub-committee of Board directed to prepare an OTS policy</td> </tr> <tr> <td data-bbox="1268 776 1409 852">4<sup>th</sup> Dec’2019</td> <td data-bbox="1409 776 1963 852">OTS Policy submitted in 2nd meeting of “Group of Directors” (GOD)</td> </tr> <tr> <td data-bbox="1268 852 1409 1008">1<sup>st</sup> Feb’2020</td> <td data-bbox="1409 852 1963 1008">OTS Policy re submitted in the 3<sup>rd</sup> meeting of GOD incorporating the suggestions made in the earlier meeting. GOD cleared the policy for submission to the Board for approval</td> </tr> <tr> <td data-bbox="1268 1008 1409 1084">23<sup>rd</sup> June 2020</td> <td data-bbox="1409 1008 1963 1084">OTS Policy approved in the 127<sup>th</sup> Board meeting</td> </tr> <tr> <td data-bbox="1268 1084 1409 1161">27<sup>th</sup> Jul 2022</td> <td data-bbox="1409 1084 1963 1161">The promoter of NSL submitted OTS proposal along with EMD amount</td> </tr> <tr> <td data-bbox="1268 1161 1409 1237">8<sup>th</sup> Sept 2020</td> <td data-bbox="1409 1161 1963 1237">OTS proposal submitted to CRO</td> </tr> <tr> <td data-bbox="1268 1237 1409 1313">12<sup>th</sup> Oct 2020</td> <td data-bbox="1409 1237 1963 1313">Risk Report received from CRO</td> </tr> <tr> <td data-bbox="1268 1313 1409 1398">17<sup>th</sup> Oct 2020</td> <td data-bbox="1409 1313 1963 1398">Agenda on OTS Proposal of NSL loan account put up in the 1<sup>st</sup> Business Committee, proposal</td> </tr> </tbody> </table>	8 <sup>th</sup> May 2019	Receipt of OTS offer from the promoter of [REDACTED] without EMD	6 <sup>th</sup> Nov 2019	Group of Directors (GOD) a sub-committee of Board directed to prepare an OTS policy	4 <sup>th</sup> Dec’2019	OTS Policy submitted in 2nd meeting of “Group of Directors” (GOD)	1 <sup>st</sup> Feb’2020	OTS Policy re submitted in the 3 <sup>rd</sup> meeting of GOD incorporating the suggestions made in the earlier meeting. GOD cleared the policy for submission to the Board for approval	23 <sup>rd</sup> June 2020	OTS Policy approved in the 127 <sup>th</sup> Board meeting	27 <sup>th</sup> Jul 2022	The promoter of NSL submitted OTS proposal along with EMD amount	8 <sup>th</sup> Sept 2020	OTS proposal submitted to CRO	12 <sup>th</sup> Oct 2020	Risk Report received from CRO	17 <sup>th</sup> Oct 2020	Agenda on OTS Proposal of NSL loan account put up in the 1 <sup>st</sup> Business Committee, proposal
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Sr. No.	CNK Observations- [REDACTED]	Management Response	
			deferred for re negotiation of amount and other terms
		16 <sup>th</sup> Dec 2020	Agenda re-submitted for OTS proposal of [REDACTED] account. Agenda deferred pending the discussion on legal opinion received by PTC India Ltd
		2 <sup>nd</sup> March 2021	Agenda re-submitted for OTS proposal of [REDACTED] account with improvement in payment terms. Agenda again deferred for further re negotiation
		17 <sup>th</sup> May 2021	Report of IDs discussed in 133 <sup>rd</sup> Board meeting and Board interialia desired that OTS offer for [REDACTED] may be taken after response is received from RBI on the matter related to suspected fraud and receipt of conclusive forensic audit report
		20 <sup>th</sup> Sept 2021	Status update and seeking direction for further action submitted in the 6 <sup>th</sup> Business Committee, wherein Committee stated that in OTS matter Board can only decide further course of action if any.
		24 <sup>th</sup> May 2022, 25 <sup>th</sup> June 2022, 16 <sup>th</sup> July 2022	As directed by Business Committee, status update on the action taken on the directions given by the Board and suitable guidance submitted to Board meetings. Agenda item have been deferred in these Board meeting
		<p>After protracted discussion, [REDACTED] submitted revised OTS offer (with improved payment terms) along with EMD amount in the month of July 2020. Subsequently, an Agenda note was put up to the Risk unit on 8<sup>th</sup> of September 2020. After issuance of risk report on 12<sup>th</sup> October 2020 (refer <b>Exhibit 1L</b>), the agenda was put up in the Business Committee meeting held on 17<sup>th</sup> October 2020 (refer <b>Exhibit 1M</b>). It is pertinent to mention that from</p>	

Sr. No.	CNK Observations- [REDACTED]	Management Response
		<p>March 2020 due to pandemic there was lock down announced and the OTS proposal was processed and agenda note prepared under adverse working situation when everybody was afraid to come to the office. However, the same do not find any mention in the CNK report.</p> <p>In any case, it can therefore be seen from the aforesaid that from the date of submission of OTS with EMD on 27<sup>th</sup> July 2020, the agenda on OTS offer was put up for the consideration in the 1<sup>st</sup> meeting of Business Committee held on 17<sup>th</sup> October 2020, i.e., within two and half months from the date of receiving of OTS offer including EMD which also included one month time taken by CRO to issue the risk report.</p> <p>It is important to mention that though the OTS proposal was put up to the Sub Committee of Board in the month of Oct'2020 but till date (even after 24 months) no decision has been taken by the Board on the merit of the proposal apart from referring it to RBI as "Suspected Fraud" based on an inconclusive forensic audit wherein the auditor himself has claimed that it couldn't carry out the detailed forensic procedures due to non-availability of documents. As the recovery of dues through legal process is time consuming with no time frame and with no clarity on the amount which could be recovered, a decision on the OTS proposal with a clear definitive amount with PFS, would have led to reduction in NPA ratios alongwith boosting the income of PFS.</p> <p>It is pertinent to note that in line with the decision of 6<sup>th</sup> Business Committee held on 20<sup>th</sup> Sep 2021 agenda note for the information on the status update and suitable guidance for further action on the matter from the Board, was placed to Board in the meeting held in the month of May, June, July, August &amp;</p>

Sr. No.	CNK Observations- [REDACTED]	Management Response
		<p>September 2022, however the same got deferred in each of the Board meeting. (refer <b>Exhibit 1N</b>)</p> <p>From the above it can be seen that there was not much delay in above proceedings relating to OTS proposal to the business committee.</p> <p><b><u>Financial impact on PFS loan account</u></b></p> <p>As at March 31, 2022, PFS has provision amounting to Rs. 125 crore i.e. 100% of loan outstanding, therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.</p>
H.	<p>Delayed Presentation of Forensic Audit report to the Board of Directors</p> <p>The Company had commissioned a Forensic Audit of [REDACTED] and had appointed M/s [REDACTED] to conduct the same. The report on the same was issued on 26 November 2018. The key observations highlighted by the Forensic Auditor in its report are:</p> <ul style="list-style-type: none"> <li>□ 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;</li> <li>□ Loans to related parties /entities tantamount to diversion of funds;</li> <li>□ 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;</li> <li>□ 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</li> </ul>	<p>PFS had advanced a loan to [REDACTED], which became a Non-Performing Asset in March 2017. After the account became NPA, PFS took various steps to ensure recovery of the outstanding and also commenced a forensic audit.</p> <p>The fact that the forensic auditor appointed by PFS submitted an inconclusive report, admittedly prepared without following applying the detailed and comprehensive forensic procedures due to lack of adequate documents from [REDACTED] and its Resolution Professional (who had been appointed by the National Company Law Tribunal under the IBC to manage the affairs of [REDACTED]) has not been mentioned by CNK. CNK has also not mentioned about the disclaimer given by the Forensic Auditor (refer <b>Exhibit 1O</b>). The fact that Corporate insolvency resolution process of [REDACTED] under Insolvency and Bankruptcy Code (“<b>IBC</b>”) commenced on 18.01.2018 has also not been mentioned by CNK. Admittedly, with the commencement of insolvency proceedings in the instant account the Resolution Professional (RP) refused to share documents with the Forensic Auditor appointed by PFS on the pretext that PFS is no more a lender to the company and did not give seat to PFS on the</p>

Sr. No.	CNK Observations- [REDACTED]	Management Response
	<p>to be strange and prejudicial to the interests of the company;</p> <ul style="list-style-type: none"> <li>□ 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.</li> </ul> <p>Given below is the Conclusion from the Forensic Audit Report:</p> <p>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.</p> <p>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.</p> <p>Given below are:</p> <p>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;</p> <p>“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.</p> <p>Therefore an independent legal opinion from a senior counsel has been obtained, which has already been circulated to the Board members.</p> <p>The Board members were of the view that review of the legal opinion on the forensic audit report which was prepared in 2018 brings out certain suspicious activities in the account. The Board was also of the view that there are two aspects on this account that are before the Board. The first aspect is related to the governance, compliances &amp; reporting and the second aspect is related to the OTS offer of the promoter of [REDACTED]. During further deliberations, it</p>	<p>“Committee of Creditors” (CoC). Therefore, the report had suggested that steps should be taken to replace the Resolution Professional and enforcing a forensic procedure through intervention of NCLT, however, the same was hampered by the fact that PFS was not given a seat in the CoC and unless the same was done, PFS had no means to enforce the suggestions of the Forensic Auditor. PFS had obtained the views of Hon’ble Mr. Justice (Retd.) K. G. Balakrishnan (erstwhile Chief Justice of India) to determine if fraud was made out from the forensic report, who had opined that no case for reporting of fraud had been made out (refer <b>Exhibit 1P</b>).</p> <p>Regarding violation of section 447 / 448 to Companies Act, it is pertinent to mention CNK has conveniently quoted the extract from the legal opinion taken by PTC India Ltd and simultaneously did not bother to look into the legal opinion taken by PFS management on the matter from [REDACTED], Senior Advocate. As per the legal opinion of Senior Advocate [REDACTED] (refer <b>Exhibit 1Q</b>), “<i>the fraud or suspicion of fraud has to be in relation to the affairs of the company or the body corporate itself, which is the subject matter of forensic audit. In the present case the forensic audit was called for, relating to the affairs of [REDACTED] and not PFS and therefore in my opinion, the said forensic audit report cannot and does not disclose any fraud in the affairs of PFS itself. Hence there is no question of Section 447 being attracted in case of PFS. I now come to the final issue as to whether the non- disclosure of the said financial reports to RBI is a violation of Chapter IV or any other part of Monitoring of frauds in NBFC’s (Reserve Bank) Directions, 2016.</i>”</p> <p>[REDACTED] further opined that “<i>For this kind of reporting of frauds, there has to be conclusive evidence/ material in the hands of the NBFC, which demonstrate beyond reasonable</i></p>



Sr. No.	CNK Observations- [REDACTED]	Management Response
	<p>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”.</p> <p>b) Reference for the above was also drawn by the Independent Directors in their resignation letters dated 19 January 2022;</p> <p>c) Relevant extract of the internal note dated 17 September 2018 wherein comments were provided by management on the draft report;</p> <p>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.</p> <p>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</p>	<p><i>doubt, the frauds committed by any unscrupulous borrower of the NBFC. The same consideration applies to the financial irregularities such as diversion of funds or any other criminal negligence on the part of the borrowers. The forensic audit report of [REDACTED] brings out no such conclusive evidence or material by which PFS, as an NBFC, reaches an irreversible conclusion, that a fraud has been committed by it unscrupulous borrower namely [REDACTED]. As the report seriously lack the evidentiary value, it will not be appropriate on the part of the NBFC to report such unsubstantiated observation of fraud or any other financial irregularities on the part of [REDACTED] as a borrower of PFS, as NBFC. Hence it could not and rightly so have not filed form FMR-1 particularly Part-B, with the Reserve Bank of India. As PFS itself was not convinced about the authenticity of the report, there was no question of reaching the confirmed opinion that fraud has been committed by one of its borrowers namely [REDACTED].</i></p> <p><i>Part-A of FMR-1 relates to the frauds in PFS. As I have already expressed my opinion that there is no fraud in the affairs of PFS, there is no question of reporting to its Board of Directors or any Committee thereof. Hence there was no requirement of filing FMR-1 for the frauds in the company itself namely PFS as NBFC. In view of the aforesaid, I am of the opinion that there is no fraud in PFS or in [REDACTED] and hence there is no infraction of any law, rule and regulation on the part of PFS, as NBFC”</i></p> <p>It is also pertinent to mentioned that [REDACTED] the then CRO of PTC India Ltd has taken a legal opinion on his own on a matter related to PFS without informing / seeking necessary documents from PFS. It is intriguing to note that CNK has not highlighted the facts that such opinion was obtained by CRO PTC India Limited, being a significant arm’s length matter and based on incomplete facts and records of the matter. It may not</p>

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

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

Sr. No.	CNK Observations- [REDACTED]	Management Response
	<p>of [REDACTED] for repayment of PFS loan for their disbursement.</p> <p>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.</p> <p>Given below is the relevant extract of the facility agreement;</p> <p>Further RBI had in its email dated 16 December 2021 had enquired from PFS on alleged non obtaining of NOC from existing lender [REDACTED] and consequent committing of fraud with the connivance of the company officials.</p> <p>The Company (PFS) has responded to above query stating that as per sanction terms there was no condition for having NOC from existing lenders.</p> <p>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.</p> <p>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]</p> <p>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;</p> <p>“Regarding issues involved relating to loan given to NSL, [REDACTED] and [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 &amp; CEO are responsible for issues relating to [REDACTED] loan. [REDACTED] and [REDACTED]</p>	<p><i>Mar 2014 as attached in your email certified true as sent by REC to the borrower”</i></p> <p>On question regarding obtaining NOC, the same was never a condition for the loan as PFS only had to obtain acknowledgement from [REDACTED] which was duly obtained as per facts mentioned above.</p> <p>Hence the above observation made by CNK is factually incorrect.</p> <p>The issues referred by CNK which has been captured in the minutes of 25<sup>th</sup> NRC meeting held on 23<sup>rd</sup> Jan 2018, has been adequately addressed by the then Board.</p> <p>Further, it is pertinent to mention that CNK has quoted the minutes out of context, wherein the matter was settled by the Board after considering all facts of the case.</p> <p><b><u>Financial impact on PFS loan account</u></b></p> <p>As at March 31, 2022, PFS has provision amounting to Rs. 125 crore i.e. 100% of loan outstanding, therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.</p>

Sr. No.	CNK Observations- [REDACTED]	Management Response
	<p>[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] a and [REDACTED] also pointed out that assigning the role of monitoring to Director (F) who was responsible for disbursement was a questionable decision. They further informed that they are also not absolving [REDACTED] from this case and suggested for issuance of caution for being more vigilant so that transaction like [REDACTED] should not recur in future. [REDACTED] j 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.”</p> <p>The reference to [REDACTED]C here indicates that such a report was obtained from [REDACTED] by PFS/PTC. In spite 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];</p> <p>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.</p>	
J.	<p><u>Security creation not complied</u></p> <p>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.</p> <p>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;</p> <p>b. Non perfection of security interest in immovable properties in favour of PFS by the borrower</p> <p>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</p>	<p>CNK observation is beyond audit review period (01<sup>st</sup> April 2019- 31<sup>st</sup> March 2022). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below:</p> <p>The observation of CNK is not related to financial reporting, loan recovery process and in relation to any fraud. Moreover, the disbursement being referred to was accorded in 2014 , (way before the period as per engagement letter. Despite of the above observation being out of scope, however, to give full clarity, the management response is given below.</p> <p>Further, the security related to 26% pledge was complied in line with sanction terms / amendments at the time of disbursement in Mar’ 2014. [REDACTED] subsequently, increased the share capital of</p>

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

Sr. No.	CNK Observations- [REDACTED]	Management Response
	<p>the account was highlighted to the board only post receipt of such letter.</p> <p>In our view, this can also amount to negligence on the part of PFS.</p> <p>The above is also highlighted by RBI in its email dated 14 February 2022 to the Company</p> <p>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.</p> <p>Board of directors in their 133<sup>rd</sup> Board meeting dated 17<sup>th</sup> May 2021 have also expressed their concern <u>on such issues, relevant extract is as below:</u></p> <p>[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).</p> <p>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”.</p>	<p>after change of central Government in 2014, the new Govt imposed stringent condition on PFC and REC for disbursements relating to coal based Thermal Power projects without availability of Coal Block and long term PPA.</p> <p>[REDACTED] has long term coal linkage, however, there was no PPA as generally PPA is signed during course of project construction which was 3 years from start of project, as bids from various Discoms was being announced from time to time under the case I scheme</p> <p>In view of this [REDACTED] and [REDACTED] could not commence disbursement on long term loan. It is prudent to mention that main source of loan repayment was from the disbursal of long term lenders as mentioned above.</p> <p>The allegation that PFS did not monitor the stressed account is factually incorrect and implies that CNK have not completely reviewed and understood all the documents and information provided by PFS. In this regard various steps were taken by PFS to recover its dues when the account became irregular for the first time in 2016. The protracted efforts put by PFS resulted in recovery of Rs 11.53 crores in the month of September 2016 leading to the account becoming regular.</p> <p>As subsequently the loan again became irregular many steps were taken by PFS in order to resolve the stress such as sale of project to [REDACTED], sale of account to ARC, taking over asset under SARFAESI Act, lodging of cheque bouncing case under section 138 of NI Act, invocation of pledged shares of sister concern of borrower group which were given to PFS as collateral, approaching NCLT for resolution under IBC 2016. In fact the legal course followed by PFS have led to a landmark decision from Hon’ble SC in all matters where borrowers attempt to evade their liability by asserting that mere invocation of</p>

Sr. No.	CNK Observations- [REDACTED]	Management Response												
		<p>dematerialised pledged shares by the Lenders resulted in discharge of their debt. CNK has not stated completed facts here. For better understanding the efforts made by PFS to resolve the stress in the account is given below :</p> <table border="1"> <tr> <td data-bbox="1266 407 1360 480">06.03 .2017</td> <td data-bbox="1360 407 1971 480">PFS attempted to sell the project to [REDACTED]</td> </tr> <tr> <td data-bbox="1266 480 1360 553">15.03 .2017</td> <td data-bbox="1360 480 1971 553">PFS attempted to sell the account to ARCs such as [REDACTED] etc</td> </tr> <tr> <td data-bbox="1266 553 1360 732">25.04 .2017</td> <td data-bbox="1360 553 1971 732">PFS served on [REDACTED] and its group companies/directors a notice under Section 13(2) of the ‘Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002’ (SARFAESI) for payment of dues</td> </tr> <tr> <td data-bbox="1266 732 1360 878">Jan- Aug 2017</td> <td data-bbox="1360 732 1971 878">PFS issued legal notices and initiated proceedings under Section 138 of the NI Act for payment defaults committed by the [REDACTED] for dues after August 31, 2016</td> </tr> <tr> <td data-bbox="1266 878 1360 1057">16.01 .2018</td> <td data-bbox="1360 878 1971 1057">PFS invoked 31,80,678 number of pledged shares (14.98%) held by the [REDACTED], the ultimate Holding Company of [REDACTED] in a company called [REDACTED] a sister concern of [REDACTED].</td> </tr> <tr> <td data-bbox="1266 1057 1360 1354">18.01 .2018</td> <td data-bbox="1360 1057 1971 1354"> <p>Hon’ble NCLT, Hyderabad admitted the petition filed by NNPIIL u/s 10 of the Insolvency and Bankruptcy Code (IBC).</p> <p>NOTE: PFS had also filed its petition under Section 7 of IBC before NCLT against [REDACTED] however, CIRP process was already initiated by NCLT against [REDACTED] application, thus PFS application became infructuous.</p> </td> </tr> </table>	06.03 .2017	PFS attempted to sell the project to [REDACTED]	15.03 .2017	PFS attempted to sell the account to ARCs such as [REDACTED] etc	25.04 .2017	PFS served on [REDACTED] and its group companies/directors a notice under Section 13(2) of the ‘Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002’ (SARFAESI) for payment of dues	Jan- Aug 2017	PFS issued legal notices and initiated proceedings under Section 138 of the NI Act for payment defaults committed by the [REDACTED] for dues after August 31, 2016	16.01 .2018	PFS invoked 31,80,678 number of pledged shares (14.98%) held by the [REDACTED], the ultimate Holding Company of [REDACTED] in a company called [REDACTED] a sister concern of [REDACTED].	18.01 .2018	<p>Hon’ble NCLT, Hyderabad admitted the petition filed by NNPIIL u/s 10 of the Insolvency and Bankruptcy Code (IBC).</p> <p>NOTE: PFS had also filed its petition under Section 7 of IBC before NCLT against [REDACTED] however, CIRP process was already initiated by NCLT against [REDACTED] application, thus PFS application became infructuous.</p>
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Sr. No.	CNK Observations- [REDACTED]	Management Response	
		19.02 .2018	The RP rejected PFS's claim stating that value of invoked pledge share (of [REDACTED]) is more than PFS claim amount.
		26.02 .2018	PFS filed appeal in NCLT Hyderabad against the RP's decision of rejecting PFS claim.
		06.07 .2018	NCLT Hyderabad directed RP to get valuation of invoked shares of [REDACTED] by PFS to ascertain PFS place in CoC.
		03.08 .2018	PFS filed an appeal before Hon'ble NCLAT against the order of NCLT Hyderabad dated 06.07.2018
		20.06 .2019	PFS's petition got dismissed by Hon'ble NCLAT
		10.07 .2019	PFS filed petition to Hon'ble Supreme Court against the judgment of Hon'ble NCLAT
		12.05 .2022	Hon'ble Supreme Court of India pronounced the judgement on May 12, 2022 in favour of PFS
		20.05 .2022	PFS requested the RP vide letter and email dated 20 <sup>th</sup> May 2022 to admit the financial claim of PFS, reconstitute the Committee of Creditors ("COC"), revise the list of creditors in light of the Hon'bel Supreme Court judgement dated 12 <sup>th</sup> May 2022.
		27.05 .2022	The RP vide email dated 27 <sup>th</sup> May 2022 informed PFS that in light of judgement of Hon'ble Supreme Court, PFS's claim is accepted and included in CoC members and PFS's voting share in CoC is 85.35 %.
		<p>It is once again reiterated that the issues which have happened in the past needs to be considered in line with the scenario prevailing at that point of time.</p> <p>It is also intriguing that while mentioning about Non-monitoring of stress in the account CNK has been quoting from the MoM of</p>	

Sr. No.	CNK Observations- [REDACTED]	Management Response
		<p>133<sup>rd</sup> Board meeting where discussions were mainly held on the Forensic Report / suspicion of Fraud in the account.</p> <p>Finally, CNK’s conclusion that delay in pursuing in legal options and preferring OTS (at a substantial hair-cut, which was not approved by the Board) is factually incorrect. The proposed recovery in [REDACTED]’s case is much higher than the industry’s experience of recovery in similar stalled thermal projects. It is to mention that PFS recoveries through IBC have not been very encouraging for stalled power projects. For stalled power projects, recovery through IBC have only been in the range of 10-20% of Principal outstanding. In the instant case the OTS offer is 72% of the principal amount which is substantially on the higher side as compared to recoveries through other resolution processes including the options through legal recourse.</p> <p><b><u>Financial impact on PFS loan account</u></b></p> <p>As at March 31, 2022, PFS has provision amounting to Rs. 125 crore i.e. 100% of loan outstanding, therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.</p>
	<p><u>CNK Conclusion:</u></p> <p>Based on the above observations, our conclusion in the matter is as under:</p> <ol style="list-style-type: none"> <li>1. Delays in presenting critical information to the Board;</li> <li>2. Disbursements made despite full knowledge of imperfect security creation;</li> <li>3. Not taking cognisance of several red flags pointed out by CRO reports, Forensic Reports, Board and other external reports;</li> <li>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.</li> </ol>	<p>Based on the above clarification and justification provided</p> <ol style="list-style-type: none"> <li>1. Critical information have been presented to the Board without any significant delay</li> <li>2. Disbursements made with timeline given for some of security, which was as per Board approved condition and delegation of power of Company;</li> <li>3. The forensic report was inconclusive and no fraud was evident from the report. Further legal opinion taken by PFS also corroborated the same. PFS. Board has constituted a committee</li> </ol>

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

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

II. [REDACTED].

Sr. No.	CNK Observations- [REDACTED]	Management Response
A	<p><u>Manipulation of the Loan Book:</u></p> <p>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:</p> <p>The disbursements on 08 November 2021 have been availed by borrower towards funding in the SPV's of [REDACTED]. Further the disbursement is tranche 3 i.e., on 31 March 2022 has also been availed against similar SPVs.</p> <p>From the above, it can be observed that:</p> <p>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;</p> <ul style="list-style-type: none"> <li>- 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;</li> <li>- 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;</li> <li>- 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;</li> <li>- Tranche 3 disbursement was unscheduled and was proposed to be done from use of HQLA stock maintained by the Company.</li> </ul> <p>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</p>	<p>The loan was sanctioned vide PFS Board meeting dated 21 June 2021 as per which the loan facility was revolving in nature. As per the approved facility, Borrower may seek the disbursement from PFS on short term basis for capex utilisation in their multiple SPVs and funds repaid back to PFS may again be utilised in the identified SPVs and this revolving process may continue till the maximum tenor of 4 years from the date of disbursement for first time.</p> <p>Borrower has requested loan from PFS for [REDACTED] and [REDACTED] multiple times in anticipation of financial closure/ equity being available for the projects and each time the loan was repaid out of its own sources as allowed in the Facility Agreement. The total capital (equity) required for 2 projects was Rs 11200 crore which has been appraised to the Board at the time of sanction. (attached as <b>Exhibits 2A, 2B and 2C</b>)</p> <p>As per the Board approved terms and condition, Borrower can prepay the loan out of its own sources, in case of delay in financial closure, Borrower has option to prepay from any other sources, which may be cheaper than PFS loan. This is standard practice to refinance the short term facilities by availing another short term or long term arrangement which is less costly.</p> <p>In relation to quick repayment for tranche 3, the borrower itself requested for pre-payment. Please refer to the email from borrower on the same. It must be noted that PFS received interest amounting to Rs 13.50 lacs from the borrower on tranche 3. PFS has done the disbursement based on the borrower request for need of fund after review of compliance of terms and condition of the facility agreement, and Borrower has repaid as per the option available in the facility agreement.</p> <p><b><u>Financial impact on PFS loan account</u></b></p> <p>The borrower subsequently prepaid the said loan on April 2, 2022 therefore there is no financial impact w.r.t. this loan account on PFS financials. It is pertinent to mentioned that the capital adequacy ratio deteriorate with</p>

Sr. No.	CNK Observations- [REDACTED]	Management Response
	<p>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.</p> <p>Further such disbursement of funds on the year end date would result in inflation of the Year-end Loan Book and improvement of various financial parameters of the Company like Net NPA ratio, Gross NPA ratio, Capital Adequacy ratio, etc.</p>	<p>additional disbursements and understanding of CNK is wrong that additional disbursement result in improvement of Capital Adequacy Ratio.</p>
B.	<p><u>UDIN mismatch - Diversion of funds and weak monitoring controls:</u></p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>As per the terms and conditions sanctioned by the Board, End use certificate from CA is not applicable for initial disbursements made. Subsequently the details as per end use certificate received on 16 November 2021, are matching with the details on UDIN portal. (attached as <b>Exhibits 2D and 2E</b>).</p> <p><b><u>Financial impact on PFS loan account</u></b></p> <p>The said loan was subsequently prepaid by the borrower on April 2, 2022 therefore there is no financial impact w.r.t. this loan account on PFS financials.</p>

Sr. No.	CNK Observations- [REDACTED]	Management Response
C.	<p><u>End Use Certificate not obtained:</u></p> <p>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.</p> <p>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.</p>	<p>As per the terms and condition s of PFS’ sanction, the End Use certificate was to be obtained within 45 days from the disbursement. Since the Borrower could not utilize the funds availed as informed vide their prepayment intimation (vide email dated 02<sup>nd</sup> April 2022), and was repaid back in 2 days, the end-use certificate was not obtained by PFS. (refer <b>Exhibit 2H</b>). The extract of prepayment intimation is as below:</p> <p><i>“The fund requirements of Renew are delayed however so we would like to prepay the entire facility on 02-04-2022 from our own sources, and would like to request for waiver of the notice period”.</i></p> <p><b><u>Financial impact on PFS loan account</u></b></p> <p>The said loan was subsequently prepaid by the borrower on April 2, 2022 therefore there is no financial impact w.r.t. this loan account on PFS financials</p>
	<p><u>CNK Conclusion:</u></p> <p>Based on the above observations, our conclusion in the matter is as under:</p> <ol style="list-style-type: none"> <li>1. Disbursement of funds merely for overstating of loan book and related parameters for RBI reporting as at year end;</li> <li>2. Weak monitoring controls and non-receipt of end use certificate which could have led to diversion of funds;</li> <li>3. Repayment of facility without serving of adequate prepayment notice (30 days) as stipulated in the facility agreement;</li> </ol>	<p>Based on the above clarification and justification provided</p> <ol style="list-style-type: none"> <li>1. PFS has done the disbursement based on the borrower request for need of fund after review of compliance of terms and condition of the facility agreement, and Borrower has repaid from cheaper source which is allowed in the facility agreement.</li> <li>2. As per the compliance requirement, CA certificate was received and now PFS verified CA certificate and is line with UDIN and there is no diversion of fund.</li> <li>3. The notice period of 30 days was waived as per the Delegation of Power</li> </ol>

III. [REDACTED]

Sr. No.	CNK Observations - [REDACTED]	Management Response				
A.	<p><u>Modification of Pre-disbursement condition:</u></p> <p>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.</p> <table border="1" data-bbox="270 634 1142 938"> <thead> <tr> <th data-bbox="277 639 680 672">Original Condition</th> <th data-bbox="690 639 1136 672">Amended Condition</th> </tr> </thead> <tbody> <tr> <td data-bbox="277 680 680 933">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 31<sup>st</sup> July 2021.</td> <td data-bbox="690 680 1136 933">The Borrower shall have received on or prior to July 31, 2021, the extension of timeline approval from the Concessing Authority in relation to Project milestones thereby resulting in extension in the date of commissioning of the project.</td> </tr> </tbody> </table> <p>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.</p> <p>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.</p> <p>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</p>	Original Condition	Amended Condition	Borrower should have received Extension of Timeline (EOT) approval from NHAI related to project milestone which should result in extension in commissioning of the project on or before 31 <sup>st</sup> July 2021.	The Borrower shall have received on or prior to July 31, 2021, the extension of timeline approval from the Concessing Authority in relation to Project milestones thereby resulting in extension in the date of commissioning of the project.	<p>The loan account was sanctioned by the PFS Board in its meeting dated 20th December 2020 in the consortium lending lead by [REDACTED] and there were 2 lenders ([REDACTED]) sanctioned the loan to the Borrower with common terms and conditions. Project has achieved Provisional COD on 31<sup>st</sup> Jan 2022 and final PCOD has been completed in 8<sup>th</sup> June 2022. Final COD is expected by end of October 22.</p> <p>For any term debt finance under construction lending, stipulation of SCOD is an essential condition to estimate financial viability and fixing the repayment dates. Since at the time of PFS sanction in Dec 2020, SCOD date of 18th Nov 2020 was expired, PFS had stipulated proposed revised SCOD and NHAI letter for COD extension as pre disbursement condition in order to validate the proposed revised SCOD.</p> <p>PFS received NHAI letter for COD extension within 5 days of PFS Board sanction in which SCOD was extended for 6 months (i.e. 18<sup>th</sup> May 2022) from original SCOD date of 18<sup>th</sup> Nov 2020 and based on the same Lead FI communicated the approval of revised SCOD of 6<sup>th</sup> June 2021. Before signing of agreement, the pre disbursement condition for obtaining COD extension from NHAI was complied and hence there is no impact of any nature in either case (Interpretation). PFS Board sanction condition was complied before signing of facility agreement itself. This issue has been explained to RBI also.</p> <p>As per ex-IDs resignation letter, the concern is related to shifting of a condition from pre-disbursement conditions to other condition resulting in disbursement without compliance of such condition. Thus, it is evident that pre-disbursement condition was captured as pre-disbursement condition only in the loan agreement and the condition has been complied by the Borrower. Allegation of Ex Independent Director is incorrect.</p>
Original Condition	Amended Condition					
Borrower should have received Extension of Timeline (EOT) approval from NHAI related to project milestone which should result in extension in commissioning of the project on or before 31 <sup>st</sup> July 2021.	The Borrower shall have received on or prior to July 31, 2021, the extension of timeline approval from the Concessing Authority in relation to Project milestones thereby resulting in extension in the date of commissioning of the project.					



Sr. No.	CNK Observations - [REDACTED]	Management Response
	<p>(amended condition).</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>However, the Company vide file no. [REDACTED] dated 03rd November 2021 has extended the timeline of SCOD to 31st December 2021 from 06th June 2021 and for receipt of extension of timeline (EOT) for project milestone/Provisional COD (PCOD) approval from NHAI on or before 31st March 2022. Thus, the disbursement in June was made beyond the available extension of timeline and SCOD was extended after disbursement</p> <p>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.</p> <p>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.</p> <p>“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</p>	<p>Also, basis the video recordings of the Board meeting dated 29<sup>th</sup> September 2021, CRO has clearly confirmed to Board that a condition has been shifted from PDC to other conditions. The same has not been captured by CNK in their report while drafting the observation. It is to mention that <i>due to this incorrect representation by CRO, the Board was misled to take incorrect decision towards non-compliance of Board directives in the account.</i> Subsequently, the Internal Auditor has also confirmed the incorrect representation by the CRO in the Risk Report.</p> <p>Further, with respect to language of Loan Agreement, please note that SCoD extension approval by NHAI and Lead FI was already in place even before execution of loan agreement by PFS and condition was accordingly drafted by LLC and circulated by lead bank [REDACTED] and the stated condition was clearly captured as a pre- disbursement condition only.</p> <p>Therefore, interpretation of CNK is erroneous.</p> <p>Legal opinion has been obtained from one of the leading LLC firms, [REDACTED], which clearly mentioned that no disbursement condition was shifted. The legal opinion has been shared with CNK for review purposes. (refer <b>Exhibit 3A</b>)</p> <p>In regard to disbursement dated 10<sup>th</sup> June, 2021, the disbursement was made in line with LCN issued Lead FI as per the terms of Loan Agreement. (refer <b>Exhibit 3B</b>). The SCoD extension was not a subsequent disbursement condition.</p> <p>In the consortium meeting dated 28th May 2021 (other lenders are RBL, IIFCL and Tata Cleantech), it was discussed that the SCOD of the project was 6<sup>th</sup> June, 2021 and present progress of the project is about 72% and Borrower has requested for further 6 month extension in COD. In the consortium meeting dated 28th May 2021, it was agreed that in the interest of the project interim extension in SCOD shall be considered till 26th Aug 2021 and again the reassessment of the SCOD shall be done in July/ August 2021 based on Covid situation. Therefore, in the</p>

Sr. No.	CNK Observations - [REDACTED]	Management Response
	<p>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”.</p> <p>The Company had obtained legal opinion (Refer Exhibit III G) 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”.</p> <p>However, we believe that the legal opinion is not adequately clarifying the above matter.</p>	<p>meeting, all lender acknowledged and noted the request of Borrower for disbursement so that project progress is not hampered and agreed to continue to support the project pending reassessment of extension in SCOD based on covid situation.</p> <p>The minutes of consortium meeting dated 28<sup>th</sup> May 2021 attached as <b>Exhibit 3C</b>.</p> <p>Further as per the facility agreement the availability period for drawl of fund was till 6<sup>th</sup> December 2021 (i.e. 6 month from SCOD) and therefore the disbursement made by PFS and other consortium lender is within period defined in the facility agreement.</p> <p>It is to be noted that Lead FI and other lenders disbursed total amount of Rs 20 cr (in which PFS’ share Rs 13.13 cr) in TRA based on LCN issued on 8<sup>th</sup> June 2021, pending SCOD extension. As per LLC opinion received, Lead FI has issued the LCN certifying compliance of pre disbursement conditions as per the provisions of the Facility Agreement.</p> <p>Lead FI granted SCOD extension on 26<sup>th</sup> July 2021 based on the consortium decision in July 2021. PFS Board also extended SCOD till 31<sup>st</sup> December 2021 vide its meeting dated 29<sup>th</sup> Sep 2021.</p> <p>As on date, Project has achieved COD in January 2022 and annuity payment from NHAI has started. The account is standard and there was never any overdue in the account in past.</p> <p><b><u>Financial impact on PFS loan account</u></b></p> <p>Based on the above explanation, where the condition of Board have been ensured in the spirit of the language, there is no financial impact for this loan account w.r.t. CNK observation.</p>
B.	<p><u>Delayed compliance with Board Directive:</u></p> <p>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</p>	<p>The draft Minutes of 140th BM held on 29.9.21, were finalized on 9.11.21. Therefore the required actions were not placed due to fact that board was not constituted till April, 2022. Thereafter the status on this</p>

Sr. No.	CNK Observations - [REDACTED]	Management Response		
	<p>the report relating to the modification made in terms and conditions without the prior approval of the Board.</p> <p>Given below is the relevant BOD extract for the above direction of the board:</p> <p>“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 &amp; CEO.”</p> <p>Internal Auditors have also in their Internal Audit report for Quarter 3 of FY 2021-22 mentioned the below observations:</p> <p>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:</p> <p>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.</p> <p>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.</p> <table border="1" data-bbox="268 1256 1152 1321"> <tr> <td data-bbox="268 1256 695 1321">Pre-disbursement condition</td> <td data-bbox="695 1256 1152 1321">Condition relating to timeline extension</td> </tr> </table>	Pre-disbursement condition	Condition relating to timeline extension	<p>was placed to Board in meeting held on 24<sup>th</sup> May, 2022 and Board took note of the same. (refer <b>Exhibit 3D</b>)</p> <p><b><u>Financial impact on PFS loan account</u></b></p> <p>Based on the above explanation, where the status was submitted to Board on May 24, 2022, there is no financial impact for this loan account w.r.t. CNK observation.</p>
Pre-disbursement condition	Condition relating to timeline extension			

Sr. No.	CNK Observations - [REDACTED]		Management Response
	<p>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 31<sup>st</sup> July 2021.</p>	<p>Borrower shall have received, on or prior to 31<sup>st</sup> 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.</p>	
	<p>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 142<sup>nd</sup> Board Meeting which was to be held on 22<sup>nd</sup> January 2022 – however since all the IDs of the company resigned on 19<sup>th</sup> January 2022, this meeting was not held.</p>		
	<p><u>CNK Conclusion:</u> Based on the above observations, our conclusion in the matter is as under:</p> <ol style="list-style-type: none"> <li>1. Amendments to the Sanction terms and conditions without obtaining approval from the sanctioning authority (Board of Directors);</li> <li>2. Disbursement made in violation of approved pre-disbursement conditions (e.g., an extension of the commissioning period);</li> <li>3. delayed adherence of the directives by Board of directors;</li> </ol>		<p>Based on the above clarification and justification provided</p> <ol style="list-style-type: none"> <li>1. The pre disbursement condition stipulated by the Board has been captured as pre disbarment condition in the facility agreement. Borrower has also complied the required pre disbursement condition as the required NHAI letter for COD extension was received prior to execution of agreement.</li> <li>2. Disbursement has been done as per the LCN issued by the Lead FI after the impact assessment of extension in COD.</li> <li>3. Required Action Taken Report has been submitted to Board in May 2022 and delay in submission is on account of non functioning of Board.</li> </ol>

IV. [REDACTED]

Sr. No.	CNK Observations- [REDACTED]	Management Response
A.	<p><u>Disbursement done despite Non-compliance of pre disbursement condition</u></p> <p>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.</p> <p>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.</p> <p>PFS while disbursement has considered receipt of share application money in compliance with PDC and has made disbursement in the account.</p> <p>The above issue was also highlighted by forensic auditor in his report dated 21 May 2019, as below:</p>	<p>CNK observation is beyond audit review period (01<sup>st</sup> April 2019- 31<sup>st</sup> March 2022). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below:</p> <p>The loan account was sanctioned by the PFS Board committee (Committee of Director) in its meeting dated 12 March 2012 (attached as <b>Exhibit 4A</b>) in the consortium lending led by Bank of Baroda and there were 2 other lenders (Bank of India, Corporation bank) that have sanctioned the loan to the Borrower apart from PFS with common terms and conditions. Board committee has also approved alignment of terms and condition as per the consortium.</p> <p>The disbursements have been made based on the LCN issued by the lead bank and lead bank has reviewed the compliance of PDC including the equity infusion (attached as <b>Exhibit 4B</b>). The share application money continued to get reflected in the subsequent CA certificates obtained by PFS as part of subsequent disbursements.</p> <p><b><u>Financial impact on PFS loan account</u></b></p> <p>This loan account has already been technically written-off post liquidation of project under IBC with balance outstanding (unrecovered amount), therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.</p>
B.	<p><u>Disbursement done in spite of account classified NPA with another lender and possible evergreening</u></p> <p>Basis the lead bank ([REDACTED]) disbursement advice dated 25 August 2015, disbursement amounting to Rs 2.11 crores was proposed to be made by the consortium. PFS share in this disbursement was determined to be Rs 1.0 crore. However, the account had turned NPA with Bank of India, and hence no disbursement was proposed to be made by them as the account was NPA in its books. PFS has proceeded with the disbursement on 07 September 2015 amounting to Rs 1.00 crore though it was having knowledge of the fact that account had</p>	<p>CNK observation is beyond audit review period (01<sup>st</sup> April 2019- 31<sup>st</sup> March 2022). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below:</p> <p>Post declaration of NPA by one of the consortium lenders ([REDACTED]), further disbursements were also made by lead banker ([REDACTED]) alongwith PFS (attached as <b>Exhibit 4C</b>).</p> <p>Disbursement made by PFS was approved by MD&amp;CEO as per the Delegation of Power of Company. Also at the time of disbursement by PFS, borrower was</p>

Sr. No.	CNK Observations- [REDACTED]	Management Response
	<p>turned nonperforming. The subsequent disbursement done to Borrower despite the account being in overdue position with other banks/ PFS which the Borrower may utilize to regularize its overdue position leading to possible evergreening.</p> <p>Relevant extract of the Lead bank advise is as below:</p> <p>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.</p> <p>Relevant extract of the disbursement note is as below:</p>	<p>not NPA in PFS's books and the disbursement was done in line with the LCN received from lead bank.</p> <p>Further, PFS declared Fraud in the account and intimated RBI of the same fact on 08<sup>th</sup> Sept 2020 (attached as <b>Exhibit 4D</b>) and the same was informed to Board in its meeting dated 29<sup>th</sup> Oct 2020 (attached as <b>Exhibit 4E</b>).</p> <p>The above CNK observation is factually incorrect. Disbursement against IDC is as per the Board approved financing plan.</p> <p>Interest during construction ('IDC') is part of approved project cost, which is towards the interest to be paid by borrower during construction period. In an under construction project, the borrower does not have any source of revenue to repay the outstanding interest towards the loan. Therefore, IDC cost is a part of loan disbursement to be utilized towards payment of outstanding interest against the loan in the project. This is an established industry practice in project financing, and the IDC cost is already estimated and accounted at the time of sanction.</p> <p>Further, recovery of IDC through disbursement does not qualify as ever greening since PFS has not recovered the dues by sanctioning and disbursing another loan to Borrower. In general parlance, the Evergreening of loan is a term in which a lender tries to revive a loan that is on the verge of default by granting further loans which is not the case in the instant account.</p> <p>Disbursement in the loan account does not pertain to evergreening as PFS had disbursed the loan as per the facility agreement which include break up of estimated project cost including IDC and overall disbursement is within original sanction amount.</p> <p><b><u>Financial impact on PFS loan account</u></b></p> <p>This loan account has already been technically written-off post liquidation of project under IBC with balance outstanding (unrecovered amount), therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.</p>

Sr. No.	CNK Observations- [REDACTED]	Management Response
C.	<p><u>Disbursement done despite slow progress (based on false site visit reports)</u></p> <p>PFS has in its disbursement note dated 28<sup>th</sup> July 2014 stated that an amount of Rs 50 lakhs is being proposed basis the below critical points for consideration:</p> <ol style="list-style-type: none"> <li>1. The project is delayed by 2 year and the revised COD is 31<sup>st</sup> January 2015. Furthermore, delay is expected by 8-10 months. The delay in the project commissioning is mainly on account of delay in first disbursement by [REDACTED] and thereafter delay in supply of material due to delay in opening of LC.</li> <li>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.</li> </ol> <p>The note further stated that PFS has done independent assessment of project before proposed disbursement.</p> <p>CNK observations on the above are as under:</p> <ol style="list-style-type: none"> <li>a) The site visit report does not mention the details of personnel who have performed the site visit;</li> <li>b) The site visit report is nether stamped nor signed by the authorised personnel's;</li> <li>c) There was undue haste in disbursement of the funds without obtaining newly appointed Lenders Engineer report for monitoring project progress.</li> </ol> <p>The above observations imply that the site visit report was falsely presented, and disbursement was wrongly done basis the above site visit report</p> <p>The matter pertaining to delayed progress have also been discussed</p>	<p>CNK observation is beyond audit review period (01<sup>st</sup> April 2019- 31<sup>st</sup> March 2022). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below:</p> <p>The fact that site visits are false is completely incorrect as [REDACTED] [REDACTED] t that time had written to representatives of Kohinoor as a follow up to the site visits done in July 2014 (alongwith [REDACTED]) (attached as <b>Exhibit 4F</b>).</p> <p>Additionally, PFS has flight tickets as evidence to prove that the site visit happened in July 2014 (attached as <b>Exhibit 4G</b>).</p> <p>Also, the site visit was voluntarily carried out as a matter of abundant precaution since existing LIE appointed by lead banker was not doing the site visit since last one year (last site visit conducted by LIE in Aug 2013)</p> <p>The disbursement was made on the basis of LCN issued by lead bank (BOB) in line with consortium spirit and approved by MD&amp;CEO as per the Delegation of Power of Company (attached as <b>Exhibit 4H</b>).</p> <p>CNK has not understood the matter. As per agreed scope, CNK was required to have preliminary discussions with PFS management on weekly basis which was not done by CNK. Preliminary discussions as per the terms of Engagement letter would have helped CNK in detailed understanding on the matter.</p> <p><b><u>Financial impact on PFS loan account</u></b></p> <p>This loan account has already been technically written-off post liquidation of project under IBC with balance outstanding (unrecovered amount), therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.</p>

Sr. No.	CNK Observations- [REDACTED]	Management Response
	<p>subsequently in the 35th Audit Committee meeting dated 09 November 2015, relevant extract of minutes reproduced as below:</p> <p>“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/PPP/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.</p> <p>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.</p> <p>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.”</p> <p>Subsequently the account has been reported as Fraud by PFS with RBI and the same was informed to the Board in its 129th Board Meeting dated 29 October 2020.</p>	
D.	<p><u>Disbursement done for clearing of overdues</u></p> <p>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.</p>	<p>CNK observation is beyond audit review period (01<sup>st</sup> April 2019- 31<sup>st</sup> March 2022). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below:</p> <p>The disbursements were done as per facility agreement, wherein it has been stated that <i>lender could at their sole discretion deduct from sums to be lent and advanced to Borrower any monies then remaining due and payable by the</i></p>



Sr. No.	CNK Observations- [REDACTED]	Management Response
	<p>However, in the subsequent disbursement advise as received from Lead Bank [REDACTED] it has been brought to notice that the above disbursement amounting to Rs 50 lakhs was conducted to an account other than 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.</p> <p>The relevant extract of the letter is reproduced below:</p> <p>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.</p> <p>There have also been subsequent instances wherein the disbursement amounts have been adjusted against interest dues of the borrower.</p> <p>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)</p>	<p><i>borrower to lender</i> (attached as <b>Exhibit 4I</b>). The disbursement was approved by the then MD &amp; CEO based on the justification and rationale for project status considering revival plans including cost overrun were under consideration by Consortium.</p> <p>There is no impact of accounts of PFS from the above observation.</p> <p>The above CNK observation is also factually incorrect.</p> <p>Disbursement against IDC is as per the Board approved financing plan.</p> <p>Interest during construction ('IDC') is part of approved project cost, which is towards the interest to be paid by borrower during construction period. In an under construction project, the borrower does not have any source of revenue to repay the outstanding interest towards the loan. Therefore, IDC cost is a part of loan disbursement to be utilized towards payment of outstanding interest against the loan in the project. This is an established industry practice in project financing, and the IDC cost is already estimated and accounted at the time of sanction.</p> <p>Further, recovery of IDC through disbursement does not qualify as ever greening since PFS has not recovered the dues by sanctioning and disbursing another loan to Borrower. In general parlance the evergreening of loan is a term in which a lender tries to revive a loan that is on the verge of default by granting further loans which is not the case in the instant account.</p> <p>It is to be noted that in June 2020, while discussing on the issue of disbursing towards IDC in another account, the Audit Committee/ Board has not stopped PFS from doing such disbursement and have only directed PFS to record proper justification while doing disbursement in such overdue cases.</p> <p>With regard to Hotmail domain, all communications from [REDACTED] were from "Hotmail" id and the same domain was used for communication with other consortium members also (including representatives from [REDACTED] [REDACTED] (attached as <b>Exhibit 4J</b>))</p>

Sr. No.	CNK Observations- [REDACTED]	Management Response
		<p><b><u>Financial impact on PFS loan account</u></b></p> <p>This loan account has already been technically written-off post liquidation of project under IBC with balance outstanding (unrecovered amount), therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.</p>
	<p><b><u>CNK Conclusion:</u></b></p> <p>Based on the above observations, our conclusion in the matter is as under:</p> <ol style="list-style-type: none"> <li>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;</li> <li>2. The false site visit report has been presented in order to facilitate the disbursement;</li> <li>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.</li> <li>4. Also refer CNK comments on Evergreening below matrix showing loan accounts and observation on page 5-6 of this report.</li> </ol>	<p>Based on the above clarification and justification provided</p> <ol style="list-style-type: none"> <li>1. Disbursement for capex was done based on LCN issued by the Lead FI</li> <li>2. Site Visit was done by PFS officials and valid documents are available for the proof of the site visit.</li> <li>3. Disbursement for recovery of dues was done based on LCN issued by the Lead FI and also based on the right of recovery stipulated in the Facility agreement.</li> <li>4. Refer PFS response on Evergreening mentioned in the beginning of this art of the report. Disbursement in the loan account does not pertain to evergreening as PFS had disbursed the loan as per the facility agreement which include break up of estimated project cost including IDC and overall disbursement is within original sanction amount.</li> </ol>

V. [REDACTED]

Sr. No.	CNK Observations - [REDACTED]	Management Response
A.	<p><u>Possible evergreening of the loan account:</u></p> <p>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:</p> <p>“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.”</p> <p>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).</p>	<p>At the outset it is clarified that in general trade parlance the Evergreening of loan is a term in which a lender tries to revive a loan that is on the verge of default/in default by granting further loans, which is definitely not the case in the instant account as borne by the facts mentioned below.</p> <p>The loan account was sanctioned by the PFS Board in its meeting dated 13 Nov 2017 considering PFS as sole lender.</p> <p>CNK has not understood the factual position of the observation made by them. The discussion on the disbursement in the loan account was held in 4 RMC meetings held during the period January 2020 to July 2020. Further, PFS’ recovery of overdue through IDC disbursement was also discussed in detail in Audit Committee meeting dated 12<sup>th</sup> June 2020. Audit committee advised extra focus for all such accounts and proper documentation and justification should be recorded before further disbursement in all such accounts. The above advice of Audit committee was recorded in the minutes of Board meeting dated 29 October 2020. The above direction of Board and Audit Committee is being adhered subsequently.</p> <p>Board approved project cost of Rs 225.26 cr includes Rs 9.09 cr. towards WC margin of INR 3.68 cr. and DSRA of Rs 5.41 cr. Proceeds from disbursement were thus, utilised for creation of DSRA of Rs 5.41 cr and Rs 3.68 cr. (refer Exhibits 5A &amp; 5B) was utilized to meet the cash shortfall in the project as there was delayed payment from APSDCL on account of change in political scenario in the state.</p> <p>The disbursement has been made after approval of current MD&amp;CEO delegation of power of Company, based on the justification provided in the disbursement note. As explained in the disbursement note, there was a tariff dispute and the same was subjudice and high court had given interim relief of immediate payment of tariff of Rs 2.43 cr./ unit to be made to the Borrower and APSDCL is in the process of availing loans from [REDACTED], etc., proceeds of which would be used for clearing RE plant dues. CNK has not presented the full facts in the observation above.</p>

Sr. No.	CNK Observations - [REDACTED]	Management Response				
		<p>As on date, APSDCL has agreed to High Court to make the payment as per the original PPA terms and Government of India has launched the Late Payment Surcharge Scheme (LPSS) under which [REDACTED] and [REDACTED] have started disbursing the overdues in the project TRA in monthly instalments. Borrower has also already received 2 instalments amounting to INR 15.31 cr. in the last 2 months.</p> <p><b><u>Financial impact on PFS loan account</u></b></p> <p>As at March 31, 2022, provision for said loan account has been calculated basis the average distress valuation of two valuation reports. No incremental financial impact is there for the said loan account w.r.t. CNK observation.</p>				
B.	<p><u>Extension of availability period:</u></p> <p>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.</p> <p>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&amp;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.</p>	<p>CNK has not provided the full facts for rationale of the amendment, which has been explained in PFS response for point number A above.</p> <p>In lending business, extension of availability is a routine matter more so in infrastructure projects and MD&amp;CEO has been designated as competent authority for the above modification as per the DOA finalized in the board meeting dated 08 Aug 2015. The modification is therefore in line with the board directions.</p> <p><b><u>Financial impact on PFS loan account</u></b></p> <p>As at March 31, 2022, provision for said loan account has been calculated basis the average distress valuation of two valuation reports. No incremental financial impact is there for the said loan account w.r.t. CNK observation.</p>				
C.	<p><u>Non-Compliance of critical pre disbursement conditions:</u></p> <p>Disbursements dated 31st December 2019 has been made to the borrower pending compliance of critical pre-disbursement conditions as stated below:</p> <table border="1" data-bbox="268 1260 1052 1419"> <thead> <tr> <th data-bbox="268 1260 352 1341">S.No</th> <th data-bbox="352 1260 1052 1341">Conditions for disbursement beyond 90% of the facility</th> </tr> </thead> <tbody> <tr> <td data-bbox="268 1341 352 1419">1.</td> <td data-bbox="352 1341 1052 1419">The Borrower shall have created all the Securities in terms of the Clause 3.1A of this Agreement</td> </tr> </tbody> </table>	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	<p>CNK has not provided the full facts for rationale of the amendment which has been explained in PFS response for point number A above.</p> <p><u>With regard to compliance for security :</u> As per the disbursement note dated 31<sup>st</sup> December 2019, it has been indicated that Security was partially complied at the time disbursement. PFS has not extended the time line for pending security. This has been indicated based on the fact that the said project is developed on Govt Revenue Land allotted by State Govt. and the Right of Substitution (which is major comfort) is available with the lenders as NREDCAP (nodal agency for renewable projects in the state of AP) has issued letter dated 10<sup>th</sup> July 2017 in favour of PFS for Right of</p>
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					

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

Sr. No.	CNK Observations - [REDACTED]	Management Response
	stipulating the conditions in the sanction note.	
	<p><u>CNK Conclusion:</u> Based on the above observations, our conclusion in the matter is as under:</p> <ol style="list-style-type: none"> <li>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;</li> <li>2. Disbursement is made pending compliances of critical pre disbursement conditions like execution of PPA for the entire sanctioned capacity of the project.</li> <li>3. Also refer CNK comments on Evergreening below matrix showing loan accounts and observation on page 5-6 of this report</li> </ol>	<p>Based on the above clarification and justification provided</p> <ol style="list-style-type: none"> <li>1. Disbursement for recovery of dues does not qualify for the Evergreening as PFS has done the disbursement within sanction limit. Evergreening of loan is a term in which a lender tries to revive a loan that is on the verge of default by granting further loans, which is not the case in the instant account</li> <li>2. Complete facts not represented by CNK as mentioned in the clarification above and at the time of disbursement Borrower had executed PPA for entire capacity.</li> <li>3. Refer PFS response on Evergreening mentioned in the beginning of this art of the report. Disbursement in the loan account does not pertain to evergreening as PFS had disbursed the loan as per the facility agreement which include break up of estimated project cost including IDC and overall disbursement is within original sanction amount.</li> </ol>

VI. [REDACTED]

Sr. No.	CNK Observations - [REDACTED]	Management Response																																		
A.	<p><u>Disproportionate disbursement of funds:</u></p> <p>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.</p> <p>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.</p> <p>It is observed that PFS has restricted the disbursement to Rs 162 crores vide its disbursement note no. DV0705001/03 dated 28<sup>th</sup> 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.</p> <p>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.</p> <p>Had the terms of original sanction been followed, the actual disbursement should have been restricted as under:</p> <table border="1" data-bbox="275 1138 930 1417"> <thead> <tr> <th>Particulars</th> <th></th> </tr> </thead> <tbody> <tr> <td>Original Capacity (as per original</td> <td>40 MW</td> </tr> <tr> <td>Original sanction amount (Rs.)</td> <td>196 crores</td> </tr> <tr> <td>Installed Capacity</td> <td>50%</td> </tr> <tr> <td>Proportionate sanction amount basis installed capacity (Rs.)</td> <td>98 Crores</td> </tr> <tr> <td>Actual disbursement done (Rs.)</td> <td>162 Crores</td> </tr> <tr> <td>Excess disbursement (Rs.)</td> <td>64 Crores</td> </tr> </tbody> </table>	Particulars		Original Capacity (as per original	40 MW	Original sanction amount (Rs.)	196 crores	Installed Capacity	50%	Proportionate sanction amount basis installed capacity (Rs.)	98 Crores	Actual disbursement done (Rs.)	162 Crores	Excess disbursement (Rs.)	64 Crores	<p>CNK observation is beyond audit review period (01<sup>st</sup> April 2019- 31<sup>st</sup> March 2022). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below:</p> <p>The loan account was sanctioned by the PFS Board in its meeting dated 13 Nov 2017 considering PFS as sole lender.</p> <p>As on 31<sup>st</sup> Mar'22, installed capacity was about ~29.80 MW (~75% of the envisaged capacity against 50% as mentioned in the CNK report). Considering 75% capacity installed is for solar module only however, balance of plant and all common infrastructure required for 40 MW has been installed and commissioned. PFS had also provided evidence to CNK that 29.80 MW had been installed (basis CDL minutes for the quarter ended March 2022 via meeting dated 22 June 2022), but still CNK has mentioned the installed capacity at 50% capacity (i.e. at 20 MW) only.</p> <p>In solar project, out of total project cost estimate of Rs 272.34 crores, the cost estimate of solar module was Rs 130.44 crores (~50%) and therefore by installation of 75% module correspond to Rs 97.83 cr for module and installation of other facilities for entire 40 MW is Rs 142.34 crore. The total expenditure incurred is Rs 240.17 crores. Therefore based on debt equity ratio of 72:28, PFS debt eligibility less of promoter contribution of Rs 76 work out to Rs 164 crores) and PFS total debt disbursement is Rs 162 crores.</p> <table border="1" data-bbox="972 992 1837 1360"> <tbody> <tr> <td>Original Capacity (as per original sanction)</td> <td>40 MW</td> </tr> <tr> <td>Total project cost approved</td> <td>Rs 272 crores</td> </tr> <tr> <td>Original sanction amount (Rs.) (DE Ratio of 72:28)</td> <td>Rs 196 crores</td> </tr> <tr> <td>% Solar module installed (30 MW out of 75 MW))</td> <td>75%</td> </tr> <tr> <td>Balance of plant and other facilities installed 940 MW)</td> <td>100%</td> </tr> <tr> <td>Total expenditure incurred</td> <td>Rs 240 crores</td> </tr> <tr> <td>Promoter contribution infused</td> <td>Rs 72 crores</td> </tr> <tr> <td>PFS loan eligibility based on the above</td> <td>Rs 164 crores</td> </tr> <tr> <td>Actual disbursement done (Rs.)</td> <td>Rs 162 crores</td> </tr> <tr> <td>Excess disbursement (Rs.)</td> <td>NA</td> </tr> </tbody> </table>	Original Capacity (as per original sanction)	40 MW	Total project cost approved	Rs 272 crores	Original sanction amount (Rs.) (DE Ratio of 72:28)	Rs 196 crores	% Solar module installed (30 MW out of 75 MW))	75%	Balance of plant and other facilities installed 940 MW)	100%	Total expenditure incurred	Rs 240 crores	Promoter contribution infused	Rs 72 crores	PFS loan eligibility based on the above	Rs 164 crores	Actual disbursement done (Rs.)	Rs 162 crores	Excess disbursement (Rs.)	NA
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Sr. No.	CNK Observations - ██████████	Management Response
	<p>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.</p>	<p>Thus, PFS aggregate disbursement is within the debt equity ratio based on the actual project expenditure incurred. This calculation is provided based on the invoices of module supply contract and BOP contract and other soft cost expenditure as per the CA certificate. Basis of CNK calculation is technically incorrect and deviating from the genesis of development and commissioning of solar project.</p> <p>In the infrastructure projects disbursements governed by sanctioned limit and utilisation is based on the promoter contribution and depending upon the payment terms defined in the EPC contractor. Therefore in any infrastructure projects disbursement is not in proportion of physical progress that point of time and these facts can be verified with other projects which are under construction phase.</p> <p>Initial disbursement of Rs 151.33 cr (at one go) was made on the basis of invoices received from the contractors which were reviewed by the LIE and accordingly drawdown certificate was issued (refer <b>Exhibit 6A</b>). Additionally no stress has been observed in the account at the time of disbursement (refer <b>Exhibit 6B</b>). Additional disbursement of Rs 10.67 cr was utilized partly for the creation of DSRA (Rs 6.56 cr) as required to be created for the facility and payment towards IDC (Rs 4.11 cr) for the construction period upto Jan'19 (COD date). As per the financing plan approved by the Board, the DSRA component was Rs 6.56 cr and IDC component was Rs 5.18 cr. Therefore, the disbursement was as per approved financing plan. Post disbursement, PFS had also received the End-use certificate from the Borrower showing utilization of the PFS' debt (refer <b>Exhibit 6C</b>).</p> <p>It is to further mention that keeping in view the delay in the project construction, PFS stopped further disbursements in the project beyond INR 162 cr and subsequently as there was no further progress in the project, PFS has short closed its loan from INR 196 cr to INR 162 cr. As on 31<sup>st</sup> Mar'22, the outstanding loan amount was INR 140.31 cr. CNK has also not mentioned the fact that PFS has shortclosed the loan at 162 cr. and have just mentioned that PFS has restricted the disbursement to Rs 162 cr. (refer <b>Exhibit 6D</b>)</p> <p>Therefore, the observation of CNK that the disbursement should have been restricted to Rs 98 Crs is factually incorrect.</p>



Sr. No.	CNK Observations - [REDACTED]	Management Response						
		<p><b><u>Financial impact on PFS loan account</u></b></p> <p>As at March 31, 2022, provision for said loan account has been calculated basis the discounted future cash flow with 29.80 MW capacity. No incremental financial impact is there for the said loan account w.r.t. CNK observation.</p>						
B.	<p><u>Disbursements done pending security creation:</u></p> <p>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:</p> <table border="1" data-bbox="279 610 926 1016"> <thead> <tr> <th data-bbox="279 610 342 667">S.N</th> <th data-bbox="342 610 926 667">Security</th> </tr> </thead> <tbody> <tr> <td data-bbox="279 667 342 756">1.</td> <td data-bbox="342 667 926 756">Mortgage and exclusive charge on land acquired by [REDACTED].</td> </tr> <tr> <td data-bbox="279 756 342 1016">2.</td> <td data-bbox="342 756 926 1016">Assignment by way of Security Interest/ charge on all the rights, title, interest, benefits claims and demands whatsoever of the borrower in: a) the Project Documents, b) clearances related to the project, c) in any other LC/guarantee etc., d) Insurance proceeds.</td> </tr> </tbody> </table> <p>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</p>	S.N	Security	1.	Mortgage and exclusive charge on land acquired by [REDACTED].	2.	Assignment by way of Security Interest/ charge on all the rights, title, interest, benefits claims and demands whatsoever of the borrower in: a) the Project Documents, b) clearances related to the project, c) in any other LC/guarantee etc., d) Insurance proceeds.	<p>As per the Delegation of Power of Company, MD &amp;CEO is competent authority for amendment in terms and condition including timeline extension for security creation.</p> <p>The timeline for the security mentioned above (mortgage and assignment) was extended till 31 May 2019 and PFS has disbursed within the timeline available (last disbursement by PFS was on 28 Feb 2019 with prior approval from MD&amp;CEO which is the competent authority as per BoD delegation. Hence, the observation of CNK is factually incorrect.</p> <p>In the instance loan account, as per minutes of board meeting dated 08 Aug 2015, MD&amp;CEO was authorised to approve and amend condition related to time line extension. The above mentioned clauses were duly approved through current MD&amp;CEO (after due deliberation and justification proposed by designated department after reassessment by Risk on account of delay in transfer of title from the land aggregators), hence the same were in line as per approved DOA.</p> <p>Please refer to <b>Exhibit 6E</b> for details on the justifications proposed to CMD prior to his approval</p> <p><b><u>Financial impact on PFS loan account</u></b></p> <p>As at March 31, 2022, provision for said loan account has been calculated basis the discounted future cash flow with 29.80 MW capacity. No incremental financial impact is there for the said loan account w.r.t. CNK observation.</p>
S.N	Security							
1.	Mortgage and exclusive charge on land acquired by [REDACTED].							
2.	Assignment by way of Security Interest/ charge on all the rights, title, interest, benefits claims and demands whatsoever of the borrower in: a) the Project Documents, b) clearances related to the project, c) in any other LC/guarantee etc., d) Insurance proceeds.							

Sr. No.	CNK Observations - [REDACTED]	Management Response
	of disbursement.	
C.	<p><u>Weak monitoring controls (Incomplete information in UDIN):</u></p> <p>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)</p> <p>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.</p> <p>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.</p>	<p>As per the expenditure certificate, the total amount of expenditure matches with details in UDIN and promoters contribution is also part of the sources of funds for capex purposes. Hence promoters contribution is already covered in UDIN (as a total amount) (refer <b>Exhibit 6F</b>).</p> <p>CNK interpretation of the issue is incorrect.</p> <p>However, CNK's observation has been noted and it shall be ensure in the future all CA certificates shall be verified with UDIN on ICAI portal.</p> <p><b><u>Financial impact on PFS loan account</u></b></p> <p>As at March 31, 2022, provision for said loan account has been calculated basis the discounted future cash flow with 29.80 MW capacity. The certificate was issued by CA, which is evidenced since details of certificate is available on ICAI UDIN portal. No incremental financial impact is there for the said loan account w.r.t. CNK observation.</p>
	<p><u>CNK Conclusion:</u></p> <p>Based on the above observations, our conclusion in the matter is as under:</p> <ol style="list-style-type: none"> <li>1. Compared to the plant's installed capacity and overall physical progress, excessive funds amounting to Rs 64 crores have been disbursed;</li> <li>2. Disbursement made despite pending security creation</li> </ol>	<p>Based on the above clarification and justification provided:</p> <ol style="list-style-type: none"> <li>1. PFS aggregate disbursement is within the debt equity ratio based on the actual project expenditure incurred. Basis of CNK calculation is technically in correct and deviating from the genesis of development and commissioning of solar project. Further CNK has considered 50% capacity commissioned against 75% capacity commissioned.</li> </ol>

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

VII. [REDACTED]

Sr. No.	CNK Observations - [REDACTED].	Management Response
A	<p><u>Disbursements done for clearing of overdue positions:</u></p> <p>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.</p> <p>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.</p> <p>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:</p> <p>"As per the delegation of power MD &amp; 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."</p> <p>The borrower was subsequently classified as NPA in 31<sup>st</sup> March 2018 there is also a write off subsequent to OTS in the account.</p>	<p>CNK observation is beyond audit review period (01<sup>st</sup> April 2019- 31<sup>st</sup> March 2022). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below:</p> <p>The loan account was sanctioned by the PFS Board (in its meeting dated 11<sup>th</sup> February 2014 in the consortium lending lead by [REDACTED] and there were 2 other lenders ([REDACTED] [REDACTED] which have sanctioned the loan to the Borrower with common terms and conditions (<b>Exhibit 7A</b>).</p> <p>The above CNK observation is factually incorrect.</p> <p>Interest during construction ('IDC') are part of Board approved project cost which is based on interest to be paid by borrower during construction period. In a project under construction, the borrower does not have any present source of revenue to repay even the outstanding interest towards the loan. Therefore, IDC cost is a loan disbursement towards payment of outstanding interest against loan. This is an established industry practice in project financing, and the IDC cost is already estimated and accounted at the time of sanction.</p> <p>Accordingly, PFS recovered the interest dues from the sanctioned loan amount. Interest recovered by PFS is within approved IDC limit (27% of Rs 217 crores of IDC) (<b>Exhibit 7B</b>). The disbursement has been made after the approval of MD&amp;CEO as per the Delegation of Power of company.</p> <p>The fact has not been presented to its completeness as in the disbursement note, PFS has clarified the basis for disbursement in overdue accounts referring to facility agreement which is represented below.</p> <p>For disbursal against disbursement number 9, please refer LCN dated 30 July 2016(<b>Exhibit 7C</b>). <i>As per clause number 2.8 of the facility agreement, the lender can deduct from sums to be lent to Borrower the amount of obligations. The sums so deducted or adjusted shall be deemed to be disbursement made by the lenders.</i></p> <p>CNK has not referred to the above mentioned clause, which is there in the disbursement documents provided by PFS for review.</p>

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

Sr. No.	CNK Observations - ██████████	Management Response
	<p><u>CNK Conclusion:</u> Based on above observation, our conclusion in the matter is as under:</p> <ol style="list-style-type: none"> <li>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;</li> <li>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</li> <li>3. Disbursements made without receipt of LCN from the lead bank ██████████</li> <li>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;</li> <li>5. Compliance of pre-disbursement conditions for the above disbursement are not verified by Company.</li> </ol>	<p>Based on the above clarification and justification provided</p> <ol style="list-style-type: none"> <li>1. Disbursement has been done based on LCN issued by Lead Bank and as per the right stipulated in the Facility agreement.</li> <li>2. Disbursement for recovery of dues does not qualify for the Evergreening as PFS has done the disbursement within sanction limit without sanction of additional loan. Evergreening of loan is a term in which a lender tries to revive a loan that is on the verge of default by granting further loans, which is not the case in the instant account. Refer PFS response on Evergreening mentioned in the beginning of this art of the report. Disbursement in the loan account does not pertain to evergreening as PFS had disbursed the loan as per the facility agreement which include break up of estimated project cost including IDC and overall disbursement is within original sanction amount.</li> <li>3 &amp; 4. As mentioned, the disbursement is in line with facility agreement</li> <li>5. The disbursement is in line with LCN issued by the lead/ in line with facility agreement.</li> </ol>

VIII. [REDACTED].

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

Sr. No.	CNK Observations   ██████████ ██████	Management Response
		<p><b><u>Financial impact on PFS loan account</u></b></p> <p>This loan account has already been technically written-off post liquidation of project under IBC with balance outstanding (unrecovered amount), therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.</p>
B.	<p><u>Disbursement without obtaining Lead Bank Confirmation Note (LCN) and pending compliance of Pre-Disbursement conditions:</u></p> <p>An additional loan of Rs. 51 crores was sanctioned for cost overrun to ████████ vide 76<sup>th</sup> board meeting on 16<sup>th</sup> March 2016. As per disbursement note No. DA06010002/01 dated 19<sup>th</sup> 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.</p> <p>The above disbursement has been made by the company for the below purpose:</p> <ol style="list-style-type: none"> <li>i) Adjustment towards interest overdues.</li> <li>ii) Disbursement in TRA account towards TDS to be paid by Borrower.</li> <li>iii) Disbursement in TRA account towards interest for delay in payment of TDS.</li> <li>iv) Disbursement in TRA account towards Corpus fund for critical payments.</li> </ol> <p>In our view, the company should have received the disbursement instructions from the lead bank in</p>	<p>CNK observation is beyond audit review period (01<sup>st</sup> April 2019- 31<sup>st</sup> March 2022). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below:</p> <p>The above CNK observation is factually incorrect. Disbursement against IDC is as per the Board approved financing plan and the IDC has not exceeded the capping limit in the instant loan account.</p> <p>Interest during construction ('IDC') is part of approved project cost, which is towards the interest to be paid by borrower during construction period. In an under construction project, the borrower does not have any source of revenue to repay the outstanding interest towards the loan. Therefore, IDC cost is a part of loan disbursement to be utilized towards payment of outstanding interest against the loan in the project. This is an established industry practice in project financing, and the IDC cost is already estimated and accounted at the time of sanction.</p> <p>The approval for cost overrun via board meeting dated 16 March 2016 (refer <b>Exhibit 8B</b>) was mainly for funding the IDC amounting to INR 24.52 cr. in the project. (out of total disbursement of INR 51 cr., remaining was to be inserted into corpus fund as per instructions from lead bank) (refer <b>Exhibit 8G</b>). Accordingly, PFS recovered the interest dues from the sanctioned loan amount.</p> <p>Lead Bank vide email dated 04 Oct 2016 has communicated that Lenders shall disburse funds for functioning corpus fund as per sharing decided by Lead Bank. Corpus fund amount has been fixed by SBI and circulated to all the lenders. Accordingly, lead bank has requested entire consortium to disburse the amount in the corpus fund in which PFS share was finalized (refer <b>Exhibit 8H</b>).</p> <p><b><u>Financial impact on PFS loan account</u></b></p> <p>This loan account has already been technically written-off post liquidation of project under IBC with balance outstanding (unrecovered amount), therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.</p>



Sr. No.	CNK Observations - [REDACTED]	Management Response
	from of LCN. However, the company has Suo-moto disbursed the above funds to the borrower	
C.	<p><u>Disbursement without complying the security creation condition</u></p> <p>As per disbursement note No. DA06010002/01 dated 19<sup>th</sup> 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.</p> <p>The same has also been highlighted by the Company secretary in the security status report dated 18<sup>th</sup> October 2016. However, company has provided for disbursement without taking cognisance of the below anomaly in security creation</p>	<p>CNK observation is beyond audit review period (01<sup>st</sup> April 2019- 31<sup>st</sup> March 2022). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below:</p> <p>The loan agreement for the cost overrun did not have a provision of Corporate Guarantee and specified undertakings for all the consortium lenders. Extract of the loan agreement is produced as below (refer <b>Exhibit 8I</b>).</p> <p>The Corporate Guarantee was agreed to be provided to PFS on a bilateral basis for cost overrun facility. The security confirmation given by the Company Secretary stating that the Corporate Guarantee and the undertakings have been provided to the entire consortium lenders is for the Original facility and not for the overrun facility (refer <b>Exhibit 8J</b>).</p> <p><b><u>Financial impact in PFS loan Book</u></b></p> <p>This loan account has already been technically written-off post liquidation of project under IBC with balance outstanding (unrecovered amount), therefore there is no incremental financial impact w.r.t. this loan account on PFS financials.</p>
	<p><u>CNK Conclusion:</u></p> <p>Based on the above observations, our conclusion in the matter is as under:</p> <ol style="list-style-type: none"> <li>1. Disbursements has been approved to the borrower by frequently extending the timelines for complying certain pre-commitment and pre-disbursement conditions for drawdowns;</li> <li>2. Disbursements were made in account on ‘suo-motto basis’ without the receipt of instructions in form of LCN from the lead bank.</li> </ol>	<p>Based on the above clarification and justification provided</p> <ol style="list-style-type: none"> <li>1. As per the delegation of power of Company, MD &amp;CEO is competent authority for providing timeline extension and amendment in terms and condition and these modifications were made based on consortium decision and communication received from Lead FI (SBI).</li> <li>2. Disbursement for IDC and corpus fund was done based on consortium decision and instruction issued by the Lead FI / in line with facility agreement.</li> </ol>

## IX. [REDACTED]

Sr. No.	CNK Observations - [REDACTED]	Management Response
A.	<p><u>Disbursements done for clearing of overdue positions</u></p> <p>Although the borrower was not having any significant physical progress of the project, funds were continuously being released for adjustment against the Interest overdue.</p> <p>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 on basis the subsequent disbursements. These disbursements are made only to clear the outstanding interest positions of the Company.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>The loan account was sanctioned by the PFS Board in its meeting dated 22nd May 2017(refer <b>Exhibit 9A</b>). As per minutes of Board meeting, MD &amp;CEO is competent authority for modification as per Delegation of Power of Company.</p> <p>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.</p> <p>Interest during construction ('IDC') is part of approved project cost, which is towards the interest to be paid by borrower during construction period. In an under construction project, the borrower does not have any source of revenue to repay the outstanding interest towards the loan. Therefore, IDC cost is a part of loan disbursement to be utilized towards payment of outstanding interest against the loan in the project. This is an established industry practice in project financing, and the IDC cost is already estimated and accounted at the time of sanction (refer <b>Exhibit 9B</b>).</p> <p>Further, in case where LE ('Lender Engineer') has certified in his report that in support of certain drawdowns, there should not be any further disbursement of funds by PTS India Financial Services Ltd ('PFS') towards this project, it is observed that PFS had requested LE to provide his separate opinion on the IDC portion vide email dated 29 April 2019 (refer <b>Exhibit 9C</b>). In response, LIE stated the following (below is the relevant extract):</p> <p><i>"This is as per our Letter No. [REDACTED] dated 26<sup>th</sup> April 2019 sent thru e-mail dated 26<sup>th</sup> April 2019. Further in continuation to this Letter, Lenders may review the disbursement corresponding to the IDC portion at their own discretion"</i></p> <p>Similar opinion of LIE has also been obtained by PFS on 29 July 2019 (refer <b>Exhibit 9D</b>). No separate opinion or report was obtained during November 2019. As per management, the same LIE opinion of 29 July 2019 was considered, since no progress had been made on the project and LIE has not been appointed for issuance for his report/ certificate during this period. The reasons for project being at standstill and liquidity constraints can also be seen in internal approval letter of MD/ CEO obtained for November 2019 disbursement.</p>

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

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

X. [REDACTED]

Sr. No.	CNK Observations - [REDACTED]	Management Response
A.	<p><u>Non creation of charge for Security:</u></p> <p>As per Clause 14.2 of Facility Agreement dated 30<sup>th</sup> September 2019 Following Security required to be Created:</p> <ol style="list-style-type: none"> <li>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.</li> <li>Priority Charge on the cashflows/repayments from the monetization/sale/disinvestment of the Borrower's asset to the Extent of 100 CR.</li> <li>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.</li> <li>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.</li> </ol> <p>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.</p> <p>Upon verification of loan documents and ROC portal we have not found the documents for charge creation and filing of the same with ROC. Given below is the ROC portal screenshot for filing of charge wherein PFS charge cannot be validated.</p> <p>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.</p>	<p>The loan account was sanctioned by the PFS Board in its meeting dated 27th September 2019. [REDACTED], MD&amp;CEO was excused in the meeting for discussion on the agenda (refer <b>Exhibit 10A</b>).</p> <p>As per Delegation of Power of Company, MD &amp;CEO is competent authority for extension in timeline for security creation. In the instant loan account Borrower has created security for item no c) and d) before disbursement as listed in CNK observation.</p> <p>As per the consortium meeting of term lenders of [REDACTED], dated 10<sup>th</sup> Oct'19 (extract produced below) (refer <b>Exhibit 10B</b>), <i>it was discussed that the funds position of [REDACTED] shall be reviewed again subsequently existing lenders of working capital limits may also seek charge on receivables of [REDACTED] against their facilities extended to Company which are presently unsecured. Term lender agreed to consider the same if required. Further, [REDACTED] was also advised that PFS may be requested to grant an extension of time for security creation and perfection till March 2020.</i></p> <p>Hence, the security for PFS' debt could not be created at that point of time and the same was to be reviewed again by the lenders. The non-creation of security was constantly reported to PFS' RMC and Board on quarterly basis. (refer <b>Exhibit 10C</b>). In the meanwhile, the account was closed after receiving the amount due back in 2 years during October 2021.</p> <p><b><u>Financial Impact on PFS account :</u></b></p> <p>As on March 31, 2022, this loan has been fully repaid, therefore there is no financial impact in the loan account.</p>

Sr. No.	CNK Observations - [REDACTED]	Management Response
B.	<p><u>Rate of Interest not as per the policy of the Company:</u></p> <p>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.</p> <p>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).</p> <p>Basis the above the rate for such working capital loan sanctioned to borrower should have been at least PFSBR+1%+2%.</p> <p>However, the actual rate charged to the borrower for the Working Loan as per the sanction letter is PFSBR+1.5% only (as against PFSBR+3%).</p> <p>The above rate charged is less than the rate chargeable as per PFS approved policy.</p>	<p>As per the Audit committee in its meeting dated 27 Sep 2019, the Rate of Interest factor was considered with following remarks "<i>The same is in line with PFS policy for working capital demand loan and in line with the medium term facility to other borrowers</i>"(refer <b>Exhibit 10D</b>)</p> <p>Further, PFS has not provided WCDL to any other related party or any third party till date.</p> <p>The rate of interest of the facility and spread applicable was in compliance with PFS' Policy of Working Capital Demand Loan (WCDL).</p> <p>The reference to the Corporate Debt was given in the agenda note as the internal rating model for WCDL was not available and the rating was carried out on Corporate Loan model. The rating so obtained and the spread so applicable based on the same was given only for reference purpose in the agenda note. However, the loan was structured as WCDL only and thus the applicable interest rate was checked as per the WCDL policy only which was in compliance with the policy stated. (refer <b>Exhibit 10E</b>).</p> <p><b><u>Financial Impact on PFS account :</u></b></p> <p>As on March 31, 2022, this loan has been fully repaid, therefore there is no financial impact in the loan account.</p>
	<p><u>CNK Conclusion:</u></p> <p>Based on the above observation, our conclusion in the matter is as under:</p> <ol style="list-style-type: none"> <li>1. Security perfection has not taken place despite several extensions granted for security creation;</li> <li>2. Rate of interest charged to the borrower is not as per the policy.</li> </ol>	<p>Based on the above clarification and justification provided</p> <ol style="list-style-type: none"> <li>1. Timeline for security from first disbursement is as per Board approved condition. As per the delegation of power of Company, MD &amp;CEO is competent authority for providing timeline extension</li> <li>2. CNK has not presented complete fact of audit committee decision, which states that the rate of interest is in line with rate provided to other borrowers for medium term facility. PFS ROI is as per the policy.</li> </ol>

XI. [REDACTED].

Sr. No.	CNK Observations - [REDACTED].	Management Response
A.	<p><u>Possible evergreening by disbursements in overdue account</u></p> <p>Company has disbursed Rs 6.17 crores as per its disbursement note dated 23<sup>rd</sup> 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:</p> <ul style="list-style-type: none"> <li>- Debt Equity ratio</li> <li>- Tie up of Debt and Equity</li> <li>- Coal supply arrangement</li> </ul> <p>Power Purchase and power evacuation agreement (compliance timeline extended by 6 months).</p> <p>Subsequently there have been further disbursement vide disbursement note dated 23<sup>rd</sup> 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.</p> <p>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.</p> <p>It is also important to note that the following critical PDC were relaxed only for the purpose of above disbursement:</p> <ul style="list-style-type: none"> <li>- Debt Equity ratio</li> <li>- Tie up of Debt and Equity</li> </ul> <p>The fraud was identified in the borrower account subsequently and the account has been written off to the</p>	<p>CNK observation is beyond audit review period (01<sup>st</sup> April 2019- 31<sup>st</sup> March 2022). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below:</p> <p>The loan account was sanctioned by the PFS Board in its meeting dated 12th January 2010 in the consortium lending led by [REDACTED] and there were 8 lenders consisting of [REDACTED] which sanctioned the loan to the Borrower with common terms and conditions (refer <b>Exhibit 11A</b>). As per minutes of Board meeting, CMD or his authorized representative was authorised to approve and amend general terms and conditions including special conditions – pre commitment/pre-disbursement and other conditions of debt sanction as may be necessary in the spirit of the consortium. Further as per the Board resolution dated 27 June 2013, Board transferred all the power of CMD given by the Board to MD &amp; CEO.</p> <p>The terms and conditions mentioned in the CNK observation were duly approved through MD&amp;CEO (after due deliberation and justification proposed by relevant department), hence the same were in line as per Delegation of Power of Company.</p> <p>The rationale for the amendment, based on the consortium decision, have been explained in the approval note shared with CNK, however, these facts have are missing in the observation made by CNK. It is to be noted that while sanctioning the power project, these conditions were required to be complied by the Borrower within certain timeline as approved by the Board after the first disbursement. The amendments were done by PFS as per the delegation of power of the Company and based on the decision of consortium and these business decisions have been taken in the interest of the project based on the prevailing market dynamics.</p> <p>Further, these management-approved amendments have been informed to the Board for noting purpose in its quarterly meetings. Please refer to <b>Exhibit 11B</b> for details on the justifications proposed to then MD for his approval.</p> <p>The amendment for extension in timeline for tie-up of equity and thereby relaxation of DE ratio and timeline extension for coal supply agreement were done considering the delay in infusion of equity from PE investor on account of multiple sectoral reasons and cross country hassle for</p>

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



Sr. No.	CNK Observations - [REDACTED].	Management Response
	<p><u>CNK Conclusion:</u> Based on the above observation, our conclusion in the matter is as under:</p> <ol style="list-style-type: none"> <li>1. Disbursement of funds have been made to clear PFS critical overdue positions by relaxing crucial pre disbursement condition;</li> <li>2. No red flags noticed during disbursement indicating weak monitoring of the account;</li> <li>3. Almost the entire amount disbursed has been written off since the amount was declared fraud.</li> <li>4. Also refer CNK comments on Evergreening below matrix showing loan accounts and observation on page 5-6 of this report</li> </ol>	<p>Based on the above clarification and justification provided</p> <ol style="list-style-type: none"> <li>1. Disbursement is within IDC amount in the financing plan approved by the Board. MD&amp;CEO. As per the delegation of power of Company, MD &amp;CEO is competent authority for providing timeline extension and amendment in terms and condition</li> <li>2. Project status have been reviewed as part of disbursement note approved by MD &amp; CEO.</li> <li>3. It is a fact that the entire amount has been written off and PFS has reported the account as Fraud to RBI.</li> <li>4. Refer PFS response on Evergreening mentioned in the beginning of this art of the report. Disbursement in the loan account does not pertain to evergreening as PFS had disbursed the loan as per the facility agreement which include break up of estimated project cost including IDC and overall disbursement is within original sanction amount.</li> </ol>

XII. [REDACTED]

Sr. No.	CNK Observations - [REDACTED]	Management Response
A	<p><u>Curtailment of CRO Powers</u></p> <p>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 25<sup>th</sup> January 2021 vide PFS letter F [REDACTED] 2 dated 28<sup>th</sup> December 2021.</p> <p>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.</p> <p>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.</p> <p>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 &amp; CEO.</p> <p>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:</p> <p>“As per the erstwhile interface mechanism of risk and monitoring team dated November 21, 2016 the instant proposal should be moved through Risk department as the same involves change in scope of the project. However subsequent to the office order no. 16/2021 dated October 6, 2021 all earlier orders, circulars and directions issued relating to roles and responsibilities of CRO gets superseded. Further, CRO has apprised that vide email dated Nov 31, 2021 (in case of security extension approval in another project) that his recommendation is not required for seeking approval from competent authority.</p>	<p>The loan account was sanctioned by the PFS Board in its meeting dated 31st December 2018. As per Delegation of Power of Company, MD &amp; CEO is competent authority for modification in terms and conditions as mentioned in the CNK observation. (refer <b>Exhibit 12A</b>)</p> <p>Till June 2019, there was no specific RBI circular regarding roles and responsibilities of CRO and therefore the interface mechanism was earlier created on 21 Nov 2016 by the then MD &amp; CEO based on the need of PFS management that point of time. The objective of the interface mechanism was to identify the list of modifications in the sanction terms and condition to be reassessed by risk team.</p> <p>In May’19, RBI came out with the circular no. RBI/2018-19/184 DNBR (PD) CC.no.099/03.10.001/2018-19 dated 16 May 2019 (refer <b>Exhibit 12B</b>) for the requirement of CRO in NBFC for the first time wherein the roles and responsibilities of CRO was clearly defined. Based on the RBI circular, CRO was appointed for the first time by the Board in its 116<sup>th</sup> meeting in June 2019 and the same roles and responsibility of CRO approved in the Board meeting in June 21.</p> <p>The amendment in the loan account for reduction in project cost and thereby reduction in debt was done by the consortium on account of directive issued by National Highway Authority of India (NHAI) for descoping (reduction in project length).</p> <p>Basis of the following</p> <ol style="list-style-type: none"> <li>a) the risk interface approved in Nov 2016 does not cover risk assessment for this amendment;</li> <li>b) CRO role defined as per RBI circular and approved by the Board, does not include the review of the instant amendment;</li> </ol>

Sr. No.	CNK Observations - [REDACTED]	Management Response																																	
	<p>As per the operational policy of PFS, MD &amp; CEO is authorized to approve the modification in terms and condition of sanction.”</p> <p>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.</p> <p>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. [REDACTED] dated December 27, 2021.”</p> <p>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 &amp; CEO. Such order absolved CRO from commenting on the modification of loan related to scoping of the project.</p> <p>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.</p> <p>Due to such de-scoping the sanction of the project was restricted to Rs. 181.41 Crores. However, PFS debt was not reduced by an equivalent proportion as compared to the reduction in original means of finance. The below table highlights the disproportionate funding wherein PFS share was determined at Rs 181.41 crores instead of 171.14 crores.</p> <table border="1" data-bbox="279 1276 1178 1435"> <thead> <tr> <th>Means of finance</th> <th>Original Cost (Rs Cr)</th> <th>Revised cost after de-scoping (Rs Cr)</th> <th>Ideal revised cost after de-scoping (Rs Cr)</th> </tr> </thead> <tbody> <tr> <td>NHAI</td> <td>118.00</td> <td>84.10</td> <td>85.59</td> </tr> </tbody> </table>	Means of finance	Original Cost (Rs Cr)	Revised cost after de-scoping (Rs Cr)	Ideal revised cost after de-scoping (Rs Cr)	NHAI	118.00	84.10	85.59	<p>c) there is no Board directive to put up such type of amendment through CRO for risk assessment</p> <p>d) CRO himself confirmed via email dated 03 Nov'21, the amendment in the instant case dated Dec'21 does not require risk assessment and therefore was not required to be put up through the CRO. Further the proposed amendment has been approved by the competent authority as per the delegation of power of Company. Therefore, CNK observation is factually incorrect.</p> <p>The amendment was proposed for descoping have resulted in reduction in project cost and reduction debt amount in Board approved Debt Equity ratio. These amendments do not impact project financial viability of the project.</p> <p>Initially, PFS sanctioned Rs. 471.90 crs in the instant project out of which 50% of sanctioned loan was subsequently down-sold to [REDACTED] i.e. Rs. 235.95 crs vide addendum to CLA dated 5<sup>th</sup> Feb 2021 and [REDACTED] was appointed as lead bank for the instant project. (Rs. 75 crs disbursed and Rs. 160.95 crs undisbursed portion). Accordingly, the disbursed and outstanding portion of PFS reduced to Rs. 181.41 crs on account of assignment of Rs. 75 crs from the disbursed portion of PFS as mentioned above.</p> <table border="1" data-bbox="1220 1029 2003 1365"> <thead> <tr> <th></th> <th>(Term Loan)</th> <th>Disbursed Portion (Rs Crs)</th> <th>Undisbursed Portion (Rs Crs)</th> <th>Total Effective Sanction (Rs Crs)</th> </tr> </thead> <tbody> <tr> <td>Before Downselling</td> <td>PFS</td> <td>256.41</td> <td>215.49</td> <td>471.90</td> </tr> <tr> <td></td> <td>[REDACTED]</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>After downselling</td> <td>PFS</td> <td>181.41</td> <td>41.41</td> <td>235.95 (50%)</td> </tr> <tr> <td></td> <td>[REDACTED]</td> <td>75.00</td> <td>160.95</td> <td>235.95 (50%)</td> </tr> </tbody> </table> <p>During the course of implementation of the project, vide letter dated</p>		(Term Loan)	Disbursed Portion (Rs Crs)	Undisbursed Portion (Rs Crs)	Total Effective Sanction (Rs Crs)	Before Downselling	PFS	256.41	215.49	471.90		[REDACTED]	-	-	-	After downselling	PFS	181.41	41.41	235.95 (50%)		[REDACTED]	75.00	160.95	235.95 (50%)
Means of finance	Original Cost (Rs Cr)	Revised cost after de-scoping (Rs Cr)	Ideal revised cost after de-scoping (Rs Cr)																																
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Sr. No.	CNK Observations - [REDACTED]				Management Response																								
	Promoter	517.70	382.91	375.49	<p>July 22, 2021, Borrower informed the lenders regarding descoping of nearly 13.22 kms in the project due to which the BPC was reduced to Rs 969.01 crs from the original BPC of Rs 1313.90 crs and accordingly the debt requirement got reduced to Rs 336.34 crs against the envisaged debt of Rs 471.90 crs and the following bifurcation of debt of Rs 336.34 crs was approved among the lenders:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2" style="text-align: center;">Lenders</th> <th colspan="2" style="text-align: center;">Term Loan before descoping</th> <th colspan="2" style="text-align: center;">Term Loan after descoping</th> </tr> <tr> <th style="text-align: center;">Sanctioned</th> <th style="text-align: center;">Disbursed</th> <th style="text-align: center;">Sanctioned</th> <th style="text-align: center;">Disbursed</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">[REDACTED]</td> <td style="text-align: right;">235.95</td> <td style="text-align: right;">75.00</td> <td style="text-align: right;">154.93</td> <td style="text-align: right;">131.00</td> </tr> <tr> <td style="text-align: center;">PFS</td> <td style="text-align: right;">235.95</td> <td style="text-align: right;">181.41</td> <td style="text-align: right;">181.41</td> <td style="text-align: right;">181.41</td> </tr> <tr> <td style="text-align: center;">Total</td> <td style="text-align: right;">471.90</td> <td style="text-align: right;">256.41</td> <td style="text-align: right;">336.34</td> <td style="text-align: right;">312.41</td> </tr> </tbody> </table> <p>It is to be noted that the share of PFS was already capped at the disbursed amount of Rs. 181.41 crs and no further disbursement was done in the instant loan account. NHAI grant is calculated based on revised BPC of Rs 969.01 crs approved by NHAI.</p> <p>The above amendment has been done in line with consortium with approval of Lead FI and subsequently, intimated to the Board in its meeting held for closing of respective quarter.</p> <p>CNK has not provided the full facts for rationale of the amendment which was available in the approval note the same has been mentioned in PFS response above. It is to further mention that the loan has been prepaid on 1<sup>st</sup> Nov 2022.</p> <p>CNK has not understood the matter. As per agreed scope, CNK was required to have preliminary discussions with PFS management on weekly basis which was not done by CNK. Preliminary discussions as per the terms of Engagement letter would have helped CNK in detailed understanding on the matter.</p>	Lenders	Term Loan before descoping		Term Loan after descoping		Sanctioned	Disbursed	Sanctioned	Disbursed	[REDACTED]	235.95	75.00	154.93	131.00	PFS	235.95	181.41	181.41	181.41	Total	471.90	256.41	336.34	312.41
Lenders	Term Loan before descoping		Term Loan after descoping																										
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	PFS debt	235.95	181.41	171.14																									
	Lead FI debt	235.95	154.93	171.14																									
	Total	1105.60	803.35	803.35																									

Sr. No.	CNK Observations - [REDACTED]	Management Response
		<p><b><u>Financial Impact on PFS account :</u></b></p> <p>Based on the above explanation, there is no financial impact for this loan account w.r.t. CNK observation.</p>
	<p><u>CNK Conclusion:</u></p> <p>Based on the above observation, our conclusion in the matter is as under:</p> <ol style="list-style-type: none"> <li>1. De-scoping of the project was not submitted to risk team for re-assessment of risk.</li> <li>2. Disproportionate reduction in original sanction due to reduction in project cost on account of de-scoping</li> </ol>	<p>Based on the above clarification and justification provided</p> <ol style="list-style-type: none"> <li>1. As per the original interface with Risk team, the proposal for reduction in project cost on account of de-scoping and thereby reduction debt, equity is not required to be put through Risk. The amendment was done in the consortium.</li> <li>2. reduction in original sanction is based on the loan outstanding and undisbursed at the time de-scoping of the project.</li> </ol>

XIII

Sr. No.	CNK Observations –	Management Response									
A.	<p><b><u>Disbursements done for clearing of overdue positions.</u></b></p> <p>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.</p> <p>Given below are the details of such disbursements:</p> <table border="1" data-bbox="268 508 1073 609"> <thead> <tr> <th>Disbursement Detail</th> <th>Overdue amount</th> <th>Disbursed Amount</th> </tr> </thead> <tbody> <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> </tbody> </table> <p>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.</p>	Disbursement Detail	Overdue amount	Disbursed Amount	06-Oct-2021	1.53 crores	1.54 crores	17-Nov-2021	1.50 crores	2.50 crores	<p>The loan account was sanctioned by the PFS Board in its meeting dated 13th Feb 2018(<i>refer exhibit 13A</i>) under consortium arrangement with Axis Bank as Lead FI. (other lenders are )</p> <p>Disbursement was done against IDC as per the Board approved financing plan and Disbursement was done based on LCN issued by the Lead FI ( ).</p> <p>Interest during construction ('IDC') is part of project cost approved by the Board, which is towards the interest to be paid by borrower during construction period. In an under construction project, the borrower does not have any source of revenue to repay the outstanding interest towards the loan. Therefore, IDC cost is a part of loan disbursement to be utilized towards payment of outstanding interest against the loan in the project. This is an established industry practice in project financing, and the IDC cost is already estimated and accounted at the time of sanction. The facility agreement include estimated project cost break up indicating IDC as part of project cost.</p> <p>With cumulative disbursement by all lenders, the loan outstanding of lenders including PFS is within original sanctioned limit. Further, the Funds were disbursed to the TRA account and IDC were paid through TRA.</p> <p>It is to be mentioned that there has not been any increase in sanctioned limit by PFS and PFS has done the disbursement in TRA as per the LCN issued by the Lead FI in consortium arrangement based on the conditions stipulated in the Facility Agreement. As per the information received, the account status in the books of lead lender and one of co lender, who has participated in the LCN of lead FI, is standard.</p> <p>In general parlance, the evergreening of loan is a term in which a lender tries to revive a loan that is on the verge of default by granting further loans which is not the case in the instant account. Recovery of IDC through disbursement does not qualify as evergreening since PFS has not recovered the dues by sanctioning and disbursing another additional loan to Borrower. As per RBI circular, lenders are allowed to fund the IDC and also fund increase in IDC.</p>
Disbursement Detail	Overdue amount	Disbursed Amount									
06-Oct-2021	1.53 crores	1.54 crores									
17-Nov-2021	1.50 crores	2.50 crores									

Sr. No.	CNK Observations – [REDACTED]	Management Response
		<p><b><u>Financial Impact on PFS account:</u></b></p> <p>Provision in this loan account has been made as per ECL model as on 31.03.2022 and no further provision is expected in PFS books as on 31.03.2022.</p>
	<p><b><u>CNK Conclusion:</u></b></p> <p>Based on the above observation, our conclusion in the matter is as under:</p> <ol style="list-style-type: none"> <li>1. Possible evergreening of the account due to disbursements being made to clear the overdue positions of the borrower.</li> <li>2. Also refer CNK comments on Evergreening below matrix showing loan accounts and observation on page 5-6 of this report</li> </ol>	<p>Based on the above clarification and justification provided, it may be noted that</p> <ol style="list-style-type: none"> <li>1. Disbursement was done based on LCN issued by the Lead FI. The Funds were Disbursed to the TRA account and IDC were recovered through TRA. In general parlance, the evergreening of loan is a term in which a lender tries to revive a loan that is on the verge of default by granting further loans which is not the case in the instant account. Recovery of IDC through disbursement does not qualify as evergreening since PFS has not recovered the dues by sanctioning and disbursing another additional loan to Borrower.</li> <li>2. Refer PFS response on Evergreening mentioned in the beginning of this art of the report. Disbursement in the loan account does not pertain to evergreening as PFS had disbursed the loan as per the facility agreement which include break up of estimated project cost including IDC and overall disbursement is within original sanction amount.</li> </ol>

Sr. No.	CNK Observations – [REDACTED]	Management Response															
A.	<p><u>Disbursement done despite slow progress of the project</u></p> <p>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.</p> <p>Given below is a summary of such disbursements.</p> <table border="1" data-bbox="268 646 1020 841"> <thead> <tr> <th>Particulars</th> <th>Physical Progress</th> <th>Financial Progress</th> <th>Disbursed Amount</th> <th>IDC (Cr.)</th> </tr> </thead> <tbody> <tr> <td>3rd disbursement dated 14-11-2018</td> <td>35.82%</td> <td>38.79%</td> <td>1.12 cr</td> <td>6.54</td> </tr> <tr> <td>4th disbursement dated 01-02-2019</td> <td>35.82%</td> <td>38.79%</td> <td>1.53 rr</td> <td>8.27</td> </tr> </tbody> </table> <p>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.</p> <p>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”.</p>	Particulars	Physical Progress	Financial Progress	Disbursed Amount	IDC (Cr.)	3rd disbursement dated 14-11-2018	35.82%	38.79%	1.12 cr	6.54	4th disbursement dated 01-02-2019	35.82%	38.79%	1.53 rr	8.27	<p>CNK observation is beyond audit review period (01<sup>st</sup> April 2019- 31<sup>st</sup> March 2022). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below:</p> <p>Disbursement was done based on LCN issued by the Lead FI ([REDACTED]) and also based on the direction provided by Lead FI via email dated Sept 04, 2018. The disbursement note was approved by MD &amp;CEO based on the justification provided in the note as per the approved delegation of power.</p> <p>As on September 2018, physical Progress was 35.82% against planned 60.67% and Financial Progress was 38.79% in the instant project. As per the LIE report of September 2018 (please refer 14A), LIE confirmed that COD can still be achieved within the scheduled date if Concessionaire takes steps to make up the lag in coming months.</p> <p>Further, As highlighted in Disbursement note dated November 14, 2018 (<i>please refer 14B</i>), “Lead Bank via email dated Sept 04, 2018 has clarified that issue with respect to land was discussed in consortium meeting held at project site on August 06, 2018. Till now lenders have disbursed ~32% of their share. The project progress is ~28% as on date and Land availability is ~54% (~22 kms out of ~41 kms). On the request of the company, Lead Bank has decided to further disburse till ~50% of the facility. Further, Lead Bank is planning to have joint site visit and consortium meeting in December. Lead Bank has also informed that it will review the progress of the project before making any further disbursement over and above 50%. MoM of lenders meet is placed at Annexure G. (refer exhibit 14C).</p> <p><i>In view of the above, PFS may also consider disbursement only upto ~50% in line with Lead Bank and as confirmed by the Lead Bank in future. As instant disbursement is falling within 50% (40.05% post instant disbursement) it has been considered for processing for approval.”</i></p> <p>Therefore, the disbursement was made on the basis of LCN issued by lead bank ([REDACTED]) in line with consortium spirit. The Funds were Disbursed to the TRA account</p>
Particulars	Physical Progress	Financial Progress	Disbursed Amount	IDC (Cr.)													
3rd disbursement dated 14-11-2018	35.82%	38.79%	1.12 cr	6.54													
4th disbursement dated 01-02-2019	35.82%	38.79%	1.53 rr	8.27													



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

Sr. No.	CNK Observations – [REDACTED]	Management Response																		
A.	<p><u>Possible Evergreening of the Loan account.</u></p> <p>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:</p> <table border="1" data-bbox="268 560 995 789"> <thead> <tr> <th>Disbursement Date</th> <th>Disbursement Amount</th> <th>Adjustment of Overdue Amount</th> </tr> </thead> <tbody> <tr> <td>31 March 2015</td> <td>15.26</td> <td>2.63</td> </tr> <tr> <td>09 June 2016</td> <td>31.63</td> <td>1.77</td> </tr> <tr> <td>27 September 2016</td> <td>2.70</td> <td>2.70</td> </tr> <tr> <td>22 February 2017</td> <td>5.51</td> <td>5.51</td> </tr> <tr> <td>20 June 2017</td> <td>7.16</td> <td>7.16</td> </tr> </tbody> </table> <p>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.</p> <p>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.</p> <p>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.</p>	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	<p>CNK observation is beyond audit review period (01<sup>st</sup> April 2019- 31<sup>st</sup> March 2022). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below:</p> <p>The loan account was sanctioned by the PFS Board in its meeting dated 13th Oct 2010. As per minutes of Board meeting (<i>refer exhibit 15A</i>), CMD or his authorized representative was authorised to approve and amend general terms and conditions including special conditions: pre-commitment/pre-disbursement and other conditions of debt sanction as may be necessary in the spirit of the consortium. Further as per the Board resolution dated 27 June 2013, Board transferred all the power of CMD given by the Board to MD &amp; CEO. (<i>refer exhibit 15B</i>)</p> <p>The disbursements made in instant project when the account was in overdue as mentioned in the CNK observation were duly approved through the then MD &amp; CEO (after due deliberation and justification proposed in the disbursement note) (<i>refer exhibit 15C</i>), hence the same were in line as per Delegation of Power of PFS.</p> <p>For the disbursements made without the receipt of LCN dated 27 September 2016, PFS was in receipt of the Borrower request which(<i>refer exhibit 15D</i>), the disbursement was duly approved through the then MD &amp; CEO (after due deliberation and justification proposed in the note) which is as per Delegation of Power of Company.</p> <p>For the disbursements made without the receipt of LCN dated 22 February 2017 and 20 June 2017, the Joint Lender Meeting (JLM) [REDACTED], co lenders [REDACTED] minutes dated January 23, 2017 were in place, which permitted adjustment of overdue IDC of the lenders against their undisbursed commitment (<i>refer exhibit 15E</i>). The disbursement was duly approved through the then MD &amp; CEO (after due deliberation and justification proposed) which as per Delegation of Power of Company.</p>
Disbursement Date	Disbursement Amount	Adjustment of Overdue Amount																		
31 March 2015	15.26	2.63																		
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Sr. No.	CNK Observations – [REDACTED]	Management Response
		<p><b><u>Financial Impact on PFS account:</u></b></p> <p>This Loan account has been technically written-off in PFS books in FY2019. No further financial impact is expected in PFS books.</p>
B	<p><b><u>Non-compliance of pre-disbursement condition</u></b></p> <p>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:</p> <p><i>“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.”</i></p> <p>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.</p> <p>Pending compliance of such critical pre disbursement condition the company had undertaken initial disbursement.</p>	<p>CNK observation is beyond audit review period (01<sup>st</sup> April 2019- 31<sup>st</sup> March 2022). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below:</p> <p>The condition stipulated as pre-disbursement condition (PDC) for the initial drawdown was provided the timeline extension till November 30, 2011 by the Lead Lender ([REDACTED]) as per the LCN dated October 18, 2011. In line with the above extension, PFS has also taken the approval from the then CMD for extension of timelines (after due deliberation and justification proposed in the note) which is in line as per Delegation of Power of Company. (refer exhibit 15F &amp; 15G)</p> <p>As per extended timelines, the conditions were complied for disbursement. (Refer Annexure C of Disbursement Note dated November 08, 2011).</p> <p><b><u>Financial Impact on PFS account:</u></b></p> <p>This Loan account has been technically written-off in PFS books in FY2019. No further financial impact is expected in PFS books.</p>
C	<p><b><u>Disbursement despite diversion of funds by the borrowers</u></b></p> <p>PFS has made the first disbursement on 9th November 2011 amounting to Rs. 38.27 crores along with the lead bank to the borrower in the designated TRA account. Upon disbursement of fund the borrower had withdrawn an amount of Rs 18.97 crores from the project TRA without being authorized from the lead lender i.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</p>	<p>CNK observation is beyond audit review period (01<sup>st</sup> April 2019- 31<sup>st</sup> March 2022). Despite of the above observation being out of scope, however, to give full clarity, the management response is given below:</p> <p>This is the new observation made by CNK in the Final Report, after submission of preliminary and also submission of draft report.</p> <p>It is a fact that the initial disbursement of Rs 38.27 crs was made on November 2011 which was based on LCN dated 20th October 2011 issued by lead [REDACTED] and was done in the designated project TRA account. [REDACTED]</p>

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

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

Sr. No.	CNK Observations – [REDACTED]	Management Response
	<p><u>CNK Conclusion:</u> Based on the above observations, our conclusion in the matter is as under:</p> <ol style="list-style-type: none"> <li>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;</li> <li>2. Disbursement is made pending compliances of critical pre disbursement conditions like execution of PPA for the entire sanctioned capacity of the project.</li> <li>3. Possible diversion of funds due to subsequent disbursement post unauthorised withdrawal of funds by borrower from TRA account.</li> </ol>	<p>Based on the above clarification and justification provided, it may be noted that</p> <ol style="list-style-type: none"> <li>1. Recovery through disbursement from the existing loan does not qualify as evergreening since the instant project was under construction phase during the time of disbursement &amp; PFS has not recovered the dues by sanctioning and disbursing another additional loan to Borrower.</li> <li>2. The timeline extension for the PDC mentioned by CNK was already provided by Lead Lender [REDACTED] and PFS also provided the extension in timeline in line with Lead Lender. As per extended timelines, the conditions were complied for disbursement.</li> <li>3. Post initial disbursement by consortium, the funds were unauthorisedly withdrawn from the TRA by the Borrower and after insistence of lenders, the withdrawn funds were brought back by the Borrower into the TRA. Post satisfactory review by consortium, disbursement started from March 2015.</li> </ol>

**PFS Management Response on CNK Final Forensic  
Audit Report on**

**Appointment of** 

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

S No	Particulars	Management's Response
<p><b>VII.</b></p>	<p>While issuing the draft report and final report, the responses received from PTC India Financial Services Limited (hereinafter referred to as management / PFS / Company) were considered, Changes, as required, have been incorporated for the management responses in this report.</p> <p>It may be pertinent to point out that many of the responses of the management (for which, external professional assistance was sought without our approval by sharing our preliminary findings / draft report with them which we consider highly unprofessional) were repetitive, critical, and harping on the point that the verification was beyond scope or beyond the period covered in the Engagement Letter (EL). Our view in the matter is that though an initial period was mentioned in the EL, we have requested for documents for the earlier / later period/s and have included our findings on the same to the extent these documents were made available.</p>	<ul style="list-style-type: none"> <li>• PFS prepared a detailed response to each of CNK's preliminary findings / draft report, clarifying the numerous factual and conceptual errors as well as refuting the vague and unsubstantiated comments. The repetition was necessitated because multiple observations of CNK had similar/identical infirmities and required corrections/clarification/contextualization.</li> <li>• PFS is an independent company and reserve the right to appoint any firm or consultant to assist it. PFS appointed the forensic team of [REDACTED], which is a globally reputed consulting firm and the leading forensic auditor in India. PFS engaged [REDACTED] to review PFS's responses and provide an independent view on CNK's observations and PFS's responses. Accordingly, [REDACTED] gave their comments after reviewing the PFS responses along with all supporting documents.</li> <li>• There is no restriction on PFS in engaging any external professional.</li> <li>• It is important to mention that PFS provided its response on the draft report. However, CNK has deleted the PFS' response from the main report and have incorporated the same as an Annexure in the final report. While doing so, they have chosen to omit their observation corresponding to the PFS response and have given the reference number only instead. CNK has also not included many crucial facts provided to them by PFS in order to complete the inputs which were important to make conclusions. Thus, they have used selective information and many vital information have been omitted.</li> </ul> <p><b>Scope of work</b></p> <p>The scope of work agreed by and between the CNK and PFS inter-alia includes:</p> <ul style="list-style-type: none"> <li>• <i>Review of relevant electronically stored information (ESI) including email communications, loan related documents, other documents and data to ascertain the veracity of the issues raised by Independent Directors of the</i></li> </ul>



S No	Particulars	Management's Response
		<p data-bbox="1094 245 1913 305"><i>Company in resignation letter/s dated 19<sup>th</sup> January 2022 having material impact on the Company.</i></p> <p data-bbox="1094 342 1913 526"><i>“Material impact” means any event which result in material adverse impact on the accounts of PFS and performed with sole motive of malafide intention / fraud wherein any such critical information was not disclosed to Audit Committee or Board and is in contravention of PFS policies or direction of Board or statutory requirement, having significant impact on decision making related to such project / proposal.</i></p> <p data-bbox="1094 563 1913 683"><b>It is pertinent to note that the Frequently Asked Questions (FAQ), On Disclosure of Information Related to Forensic Audit of Listed Entities, in Schedule III, in Part A, under the Clause A, sub-clause 17 of SEBI LODR Regulations require that</b></p> <p data-bbox="1094 721 1913 969"><i>“Forensic audits as mentioned in the above sub-clause of LODR refers to those audits, (by whatever name called), which are initiated with the objective of detecting any mis-statement in financials, mis-appropriation/ siphoning or diversion of funds. It does not seek to cover disclosure of audit of matters such as product quality control practices, manufacturing practices, recruitment practices, supply chain process including procurement and matters that would not require any revision to the financial statements disclosed by the listed entity.”</i></p> <p data-bbox="1037 1005 1650 1032"><b>PFS’ submission on the appointment of ██████████</b></p> <ul data-bbox="1037 1068 1913 1383" style="list-style-type: none"> <li data-bbox="1037 1068 1913 1128">• The appointment of ██████████ as Director (Finance) &amp; CFO <b>does not have any material impact on the accounts of PFS.</b></li> <li data-bbox="1037 1133 1913 1253">• In its meeting held on 9<sup>th</sup> March 2021, the Board had decided that the entire recruitment process would be handled by a resource person from PTC and ██████████ was identified as the resource person from PTC for this purpose.</li> <li data-bbox="1037 1258 1913 1383">• <b>The entire process of appointment of ██████████ was handled by PTC HR led by ██████████ and ██████████, the then Chairman PTC/PFS.</b> It must be noted that nobody from PFS HR and management was associated at any stage of the recruitment process.</li> </ul>

S No	Particulars	Management's Response
		<ul style="list-style-type: none"> <li>• This was in complete disregard of the supervisory notes of the RBI inspection report in which RBI had raised concerns on lack of arm's length relationship between PTC and PFS in HR matters. It is important to note that the then PFS Board, the then Chairman and all Ex Independent Directors were fully aware of RBI's directions. Despite that the Board and the nomination and remuneration committee continued the recruitment process of Whole-Time Directors in PFS through PTC HR.</li> <li>• The entire process of appointment of ██████████ has been independently audited in detail by ██████████, which submitted its report to PTC India Limited. The report severely indicts the erstwhile NRC of PFS and PTC HR for various serious acts of omission and commission. This report has also been sent to the regulators.</li> <li>• The appointment of ██████████ was bad in law and process. ██████████ committed a fraud on Company by concealing material information required for completion of his joining formalities: he did not submit his relieving letter from NTPC, which clearly showed that he had retained lien with NTPC in violation of the Board's decision. ██████████, Head of PTC HR made a false declaration to the Board that ██████████ was joining on absorption basis.</li> <li>• The PTC Board commissioned an enquiry by its RMC into the allegations made by the resigning Independent Directors of PFS, which included the appointment of Mr. Ratnesh. The PTC RMC report also severely indicted PTC HR for various serious acts of omission and commission. <b>This report of PTC RMC has been considered in detail by PTC Board and accepted.</b></li> <li>• It may be pointed out that both ██████████ report as well as PTC RMC report have been submitted to the regulators.</li> <li>• Nevertheless, PFS provides its response of the observations and findings of CNK.</li> <li>• It may be mentioned that ever since the powers pertaining to HR function were restored to PFS management, PFS management has appointed one Executive Director in the Company and has already advertised vacant positions for Executive Director in Credit Appraisal function and Director (Finance) &amp; CFO. These posts will be filled in due course after following a transparent Board approved process.</li> </ul>

S No	Particulars	Management's Response
		<ul style="list-style-type: none"><li data-bbox="1037 250 1911 375">• The sequence of event indicating the role of [REDACTED] in recruitment process for Director in PFS along with his email dated 20<sup>th</sup> October 2021 stating that PTC HR will ensure completion of their joining formalities and then handover the process of their orientation is placed.</li></ul>

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

**Chronology of meetings**

S No	Date	Meeting of	Members present	Remarks
1	12 <sup>th</sup> November 2018	Board Meeting of PFS	<ul style="list-style-type: none"> <li>• [REDACTED]</li> <li>• [REDACTED]</li> <li>• [REDACTED], Whole-Time Director (Operations)</li> <li>• [REDACTED], Director</li> <li>• [REDACTED], Director</li> <li>• [REDACTED], Director</li> <li>• [REDACTED], Director</li> <li>• [REDACTED], Director</li> <li>• [REDACTED], Director</li> <li>• [REDACTED], Director</li> </ul>	<ul style="list-style-type: none"> <li>• In the said meeting, while noting the actions for filling up the position of Director (Finance) &amp; CFO, the Board decided that the Nomination &amp; Remuneration Committee may consider to issue the advertisement for the position of Executive Director level / EVP who may be elevated to board level position based on performance. <b>Thus, the decision to not appoint Director (Finance) was taken by the Board.</b></li> </ul>
2	23 <sup>rd</sup> December 2019	Nomination and Remuneration Committee (NRC) of PFS	<ul style="list-style-type: none"> <li>• [REDACTED], Chairman NRC</li> <li>• [REDACTED] Member NRC</li> <li>• [REDACTED], Member NRC</li> <li>• [REDACTED], Member NRC</li> <li>• [REDACTED], Member NRC</li> </ul>	<ul style="list-style-type: none"> <li>• It may be mentioned that Nomination and Remuneration Committee of PFS, in its meeting held on 23<sup>rd</sup> December 2019, took the strange and unprecedented decision that all the HR matters of PFS shall be dealt with the approval of Director (HR), PTC, which included, matter related to appointments, transfers, postings, promotions etc. and internal communication to employee. PFS (HR) team was to assist Director (HR), PTC in all these matters. This decision disempowered the MD &amp; CEO and HR department of PFS.</li> <li>• Subsequently, in its meeting held on 27<sup>th</sup> January 2020, the NRC made certain amendments to above. However, the MD&amp;CEO continued to be completely disempowered by the erstwhile Chairman / Board. MD&amp;CEO had no powers to decide on the appointments, transfers, promotions and postings at the level of functional head and one level below. In other words, the MD&amp;CEO effectively in most situations could not even appoint a Manager in PFS</li> <li>• Please refer to NRC &amp; Board meetings held on 09.03.2021 when it was decided that advertisement shall be issued by PTC resource</li> </ul>

S No	Date	Meeting of	Members present	Remarks
				person for the post of Director (Operations) & Director (Finance) by 31.03.2021 which PTC HR did not do.
3	9 <sup>th</sup> March 2021	Board Meeting of PFS	<ul style="list-style-type: none"> <li>• [REDACTED] Chairman</li> <li>• [REDACTED], MD&amp;CEO</li> <li>• [REDACTED] Whole-Time Director (Operations)</li> <li>• [REDACTED], Director</li> <li>• [REDACTED], Director</li> <li>• [REDACTED], Director</li> <li>• [REDACTED] Director</li> <li>• [REDACTED], Director</li> <li>• [REDACTED], Director</li> <li>• [REDACTED], Director</li> </ul>	<ul style="list-style-type: none"> <li>• The Board was of the opinion that the same process may be followed for the selection as was done earlier in case of appointment of MD&amp;CEO and <b>the recruitment process would be handled by a resource person from PTC.</b></li> <li>• It may be mentioned that [REDACTED] was identified as the resource person from PTC for this purpose. This was informed by [REDACTED] himself to PTC RMC.</li> </ul>
4	21 <sup>st</sup> June 2021	Nomination and Remuneration Committee (NRC) of PFS	<ul style="list-style-type: none"> <li>• [REDACTED], Chairman NRC</li> <li>• [REDACTED], Member NRC</li> <li>• [REDACTED], Member NRC</li> </ul>	NRC directed that PFS, HR department has to actively co-ordinate with HR Head of PTC to complete the recruitment. NRC desired that PTC HR may issue advertisement by 30.06.2021. It was clarified to NRC that the role of PFS was limited to issuance of advertisement in the newspapers and uploading on website only.
5	13 <sup>th</sup> August 2021	Nomination and Remuneration Committee (NRC) of PFS	<ul style="list-style-type: none"> <li>• [REDACTED], Chairman NRC</li> <li>• [REDACTED], Member NRC</li> <li>• [REDACTED], Member NRC</li> <li>• [REDACTED], Member NRC</li> </ul>	[REDACTED] – HR Head PTC gave a presentation on the applications received for the post of Director (Finance) & CFO
6	28 <sup>th</sup> August 2021	Nomination and Remuneration Committee (NRC) of PFS at 5.00 PM at <b>Board Room, PTC India Limited</b>	<ul style="list-style-type: none"> <li>• [REDACTED], Chairman NRC</li> <li>• [REDACTED], Member NRC</li> <li>• [REDACTED], Member NRC</li> <li>• [REDACTED], Member NRC</li> </ul>	NRC recommended the name of [REDACTED] for the position of Director (Finance) & CFO

S No	Date	Meeting of	Members present	Remarks
7	28 <sup>th</sup> August 2021	Board Meeting of PFS	<ul style="list-style-type: none"> <li>• [REDACTED], Chairman through VC from PTC office</li> <li>• [REDACTED] MD&amp;CEO through VC from his residence</li> <li>• [REDACTED], Director through VC from PTC office</li> <li>• [REDACTED], Director through VC from his residence</li> <li>• [REDACTED], Director through VC from PTC office</li> <li>• [REDACTED], Director through VC from his residence</li> <li>• [REDACTED] T, Director through VC from his residence</li> <li>• [REDACTED], Director through VC from PTC office</li> <li>• [REDACTED], Director through VC from PTC office</li> </ul>	<ul style="list-style-type: none"> <li>• Board approved the appointment of [REDACTED] for the position of Director (Finance) &amp; CFO. Board further resolved that the <b>appointment of [REDACTED] as CFO shall be subject to approval of ensuing of Audit Committee as per provisions of SEBI Listing Regulations and other applicable laws and the proposal in this regard shall be placed to Board through Audit Committee.</b></li> </ul>
8	13 <sup>th</sup> September 2021	Nomination and Remuneration Committee (NRC) of PFS at 3.00 PM	<ul style="list-style-type: none"> <li>• [REDACTED], Chairman NRC</li> <li>• [REDACTED], Member NRC</li> <li>• [REDACTED] Member NRC</li> <li>• [REDACTED] Member NRC</li> </ul>	<ul style="list-style-type: none"> <li>• The NRC meeting of PFS was held on 13<sup>th</sup> September 2021 in which [REDACTED], HR Head PTC informed the Committee that further to the decisions taken in meeting of Board held on 28<sup>th</sup> August 2021, wherein Chairman, PFS was authorised to finalise the terms of appointments, the offer letter was given to [REDACTED], the proposal to enhance CTC of [REDACTED] was brought.</li> <li>• The Committee noted the terms of appointment of selected candidates and recommended to the Board as well as increase in CTC of [REDACTED]</li> </ul>
9	13 <sup>th</sup> September 2021	Audit Committee Meeting of PFS at 3.30 PM	<ul style="list-style-type: none"> <li>• [REDACTED], Chariman through VC from his residence</li> <li>• [REDACTED] Member through VC from her residence</li> </ul>	<ul style="list-style-type: none"> <li>• The Audit Committee members were of the view that N&amp;R Committee has already evaluated the compatibility of [REDACTED] to work as Director (Finance) &amp; CFO of the Company. Further, the Committee members were of the view that [REDACTED] despite limitations will be assisted by the team of</li> </ul>

S No	Date	Meeting of	Members present	Remarks
			<ul style="list-style-type: none"> <li>• ██████████, Member through VC from PTC office</li> </ul>	<ul style="list-style-type: none"> <li>• experienced professionals in PFS who have good experience of NBFC sector and also have the guidance of MD&amp;CEO to work as Director (Finance) &amp; CFO.</li> <li>• The Committee recommended to the Board, the appointment of ██████████ as Director (Finance) &amp; CFO</li> </ul>
10	13 <sup>th</sup> September 2021	Board Meeting of PFS at 4.00 PM	<ul style="list-style-type: none"> <li>• ██████████ ██████████ ██████████, Chairman through VC from PTC office</li> <li>• ██████████, MD&amp;CEO</li> <li>• ██████████, Director through VC from her residence</li> <li>• ██████████, Director through VC from his residence</li> <li>• ██████████, Director through VC from his residence PTC office</li> <li>• ██████████, Director through VC from his residence</li> <li>• ██████████ ██████████ ██████████, Director through VC from his residence</li> <li>• ██████████, Director through VC from her office</li> <li>• ██████████, Director through VC from PTC office</li> </ul>	<ul style="list-style-type: none"> <li>• ██████████, HR Head PTC informed that ██████████ was joining on absorption basis.</li> <li>• ██████████, Chairman of NRC PFS stated that when any recruitment is done, it is hard to find a person with 100% perfect candidature as the business dynamics keep on changing.</li> <li>• MD&amp;CEO had objected to the suitability of ██████████ as Director (Finance).</li> <li>• Board accepted all the recommendations of N&amp;R Committee and Audit Committee and approved the appointment of ██████████ for the position of Director (Finance) &amp; CFO.</li> <li>• Board decision recorded that, “the <b>rest of the Board</b> accepted all the recommendations of the N&amp;R Committee and of the Audit Committee and approved the appointment of Sh. Ratnesh as Director (Finance) &amp; CFO”. Thus MD&amp;CEO was not part of this decision.</li> </ul>

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

S No of Report	Particulars	Management's Response
IV	<p>In 34th Meeting of NRC held on 17th March 2019, an agenda note for appointment of Executive Director/ EVP (Finance) of the Company along with the draft job description was placed to the Committee. The Committee was informed that the Board of the Company in its 109th meeting held on 12th November 2018 decided as under: -</p> <p>“The Board noted the same. With respect to the actions for filling up the position of Director (Finance) &amp; CFO, the various aspects were discussed by the Board including the identification of a suitable candidate for the post and its requirement. After detailed discussions, the Board desired that the Nomination &amp; Remuneration Committee may consider to issue the advertisement for the position of Executive Director Level / EVP and in order to attract good candidates a clause be inserted in the advertisement that based on her/his performance there exists possibility of further elevation to board level position.”</p>	<ul style="list-style-type: none"> <li>As mentioned above by CNK, the Board of Directors in their meeting held on 12<sup>th</sup> November 2018, noted the minutes of 32<sup>nd</sup> and 33<sup>rd</sup> NRC meeting and “with respect to the actions for filling up the position of Director (Finance) &amp; CFO, the various aspects were discussed by the Board including identification of the suitable candidate for the post and its requirement. After detailed discussions, the Board desired that the Nomination &amp; Remuneration Committee may consider to issue the advertisement for the position of Executive Director level / EVP and in order to attract good candidates a clause be inserted in the advertisement that based on her/his performance there exists possibility of further elevation to board level position.”</li> <li>It may be mentioned that [REDACTED] was appointed as MD&amp;CEO w.e.f. 3<sup>rd</sup> October 2018 and accordingly, the position of Whole-Time Director (Finance) became vacant on that time. As mentioned in the above resolution of the Board meeting held on 12<sup>th</sup> November 2018, the Board decided that in place of Director (Finance), the advertisement for the position of Executive Director level / EVP may be issued who can be later elevated to board level position. Thus, Board decided not to appoint Director (Finance).</li> <li>Thereafter, NRC took this matter in its meeting held on 17th March 2019, after more than 4 months from the date of Board meeting, wherein an agenda note for appointment of Executive Director/ EVP (Finance) of the Company along with the draft job description was placed to the Committee and the Committee was informed about the Board's above decision.</li> </ul>
VI.	<p>In the 41st Meeting of NRC held on 9th March 2021, the Committee noted that [REDACTED], Director (Operations) will be superannuating on 09th July 2021, and the position of Director (Finance) is already vacant since [REDACTED] was appointed as MD &amp; CEO. It was further discussed that NBFCs are facing challenges on various fronts and MD &amp; CEO had also desired</p>	<ul style="list-style-type: none"> <li>In the 132<sup>nd</sup> meeting held on 9<sup>th</sup> March 2021, the Board was of the opinion that the same process may be followed for the selection as was done earlier in case of appointment of MD&amp;CEO and <b>the recruitment process would be handled by a resource person from PTC</b>. The Board noted that the Nomination and Committee in its meeting held on 9<sup>th</sup> March 2021 had decided that the advertisement for both these vacancies may preferably be</li> </ul>



S No of Report	Particulars	Management's Response
	<p>accretion of senior level team members in the Company. The Committee was of the view that immediate steps should be initiated regarding recruitment for these two posts i.e., Director (Finance) &amp; CFO and Director (Operations) at the earliest. It was also desired that suitable advertisements, after inputs from PFS management, shall be placed in newspapers/ PTC/PFS websites by 31st March 2021. The Committee further desired that the same process may be followed for the selection of candidates for the above as was adopted earlier by PTC HR in case of appointment of MD &amp; CEO</p>	<p>issued by 31<sup>st</sup> March 2021. It may be mentioned that [REDACTED] was identified as the resource person from PTC for this purpose. This was informed by [REDACTED] himself to PTC RMC.</p>
<p><b>VII</b></p>	<p>In the 42nd Meeting of NRC held on 21st June 2021, The Committee was informed about the action taken report as per details mentioned in the agenda note. With respect to the vacancies of Director (Finance) &amp; CFO and Director (Operations), the Committee noted that as per ATR it is mentioned that the process is being led by PTC. The Committee was of the view that the vacancies are of PFS, therefore, the HR Department of PFS should have taken the initiative and followed up with PTC for all to complete the actions directed by the N&amp;R Committee and the Board. [REDACTED] (AVP-HR), PFS informed the Committee that in the earlier appointments of WTDs and MD&amp;CEO, the entire selection process was carried out by the PTC itself and PFS HR was required to publish the advertisement in the newspaper and website of PFS only. The Committee was of the view that even in the earlier appointment, the appointment was made by the NRC and Board of PFS, the NRC at its sole discretion may engage anyone internal at the group level or some outside agency. The Committee felt that as much as the requirements are for PFS and directions are from the NRC of PFS, the HR department of PFS must actively coordinate with the HR head of PTC to complete the recruitment in a specific time frame. As per request, [REDACTED] (HR Head - PTC), attended the meeting. [REDACTED] stated that by the end of June 2021, the advertisement may be ready and the entire selection process</p>	<ul style="list-style-type: none"> <li>It may be mentioned in its meeting held on 9<sup>th</sup> March 2021, the Board had decided that the recruitment process would be handled by a resource person from PTC and [REDACTED] was identified as the resource person from PTC for this purpose. Accordingly, the responsibility for issuing advertisement by 31<sup>st</sup> March 2021 was with PTC HR which the resource person [REDACTED] did not accomplish by the said date. <b>On 21<sup>st</sup> June 2021 also, NRC desired that press advertisement be issued by 30<sup>th</sup> June 2021. During the Board meeting held on 21<sup>st</sup> June 2021, the RBI inspection report was placed to the Board in which RBI had raised concerns on arm's length relationship in HR matters. Despite RBI concerns, nomination and remuneration committee continued the recruitment process of Whole-Time Directors in PFS through PTC HR.</b></li> </ul>

S No of Report	Particulars	Management's Response
	including the screening and the interview may be completed by the end of July 2021 but not later than the middle of August 2021. The Committee desired that as the advertisement is to be published by 30th June 2021, the meeting of the NRC may be called before that to finalize the advertisement. The Committee further desired that while finalizing the advertisement, the compensation package and terms to be offered to the incumbents may be made suitably liberal, if required, to attract good candidates. The Committee wishes that further actions may be taken without any further delay;	
VIII	In the 43rd Meeting of NRC held on 17th July 2021. PTC HR made a presentation on the detailed job description and advertisement of Board level positions in PFS during the meeting. The Committee was informed that the draft of Job Descriptions for both positions i.e., Director (Operations) and Director (Finance) was discussed by the PTC HR team with PFS's management, and their inputs incorporated where feasible;	<ul style="list-style-type: none"> <li>In its 43<sup>rd</sup> meeting held on 17<sup>th</sup> July 2021, <b>the nomination and remuneration committee of PFS suddenly reversed its own and Board's decision of inviting application for Whole-Time Directors through open advertisement.</b> This violated the Company's practice of recruitment. Instead of making public advertisement, it now decided to approach PTC, its Promoter Companies i.e. ██████████ (including persons from its subsidiary ██████████) to seek eligible candidates. This is recorded in the minutes of nomination and remuneration committee meeting.</li> </ul>
X	On 20th July 2021, Chairman PFS wrote letters to CMDs of ██████████ about said vacancies attaching therewith the details of Job Description. Eligibility and application format recommended by NRC with last date of submission of application as 6th August 2021	<ul style="list-style-type: none"> <li>It may be mentioned that the recommendations of nomination and remuneration committee of PFS, which were in deviation to those earlier approved by Board, like increase in superannuation age, were implemented by Chairman PFS without prior approval by the Board. The superannuation age of 62 years was informed to Board without specifically mentioning that it was in deviation to the approval earlier accorded by the Board and no post facto approval was sought or given by the Board.</li> </ul>
XI	On 13th August 2021, ██████████ shared the presentation of the responses received for the candidature of Director (Finance) and Director (Operations) and essential screening parameters of the	<ul style="list-style-type: none"> <li>For reasons unknown, the Nomination and Remuneration Committee took the strange decision of setting the educational qualifications for Director (Finance) as only MBA but for Director (Operations) as MBA (Finance). This was not just illogical but was also contrary to widespread industry</li> </ul>

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

S No of Report	Particulars	Management's Response
XV	On the same day, the 74th Audit Committee meeting held and the proposal of ██████████ to consider and appoint him as Whole Time Director and CFO was placed, and the Audit committee recommended his appointment as Whole Time Director and CFO. Also, the company has informed the Exchanges as per the SEBI LODR about the joining of ██████████ and M ██████████ on 13th September 2021	<ul style="list-style-type: none"> <li>The Company informed the stock exchanges that the Board of Directors in their meeting held on 13<sup>th</sup> September 2021 has approved the appointment of ██████████ as Whole-Time Director (Finance) &amp; CFO w.e.f. date of his joining and appointment of ██████████ ██████████ ██████████ as Director (Operations) w.e.f. date of his joining.</li> <li>This may be independently verified from NSE and BSE website.</li> <li>CNK's comments that the company has informed the Exchanges as per the SEBI LODR about the joining of ██████████ and ██████████ on 13th September 2021 are factually incorrect and misleading.</li> </ul>
XVI	On 14th September 2021, the PFS informed the SEBI about the appointment of Director (Finance) and Director (Operations);	<ul style="list-style-type: none"> <li>The above statement of CNK is factually incorrect since no communication was sent by PFS to SEBI on 14<sup>th</sup> September 2021. CNK has not produced any documentary evidence in support of the same.</li> </ul>
XVIII	Email dated 20th October 2021 from ██████████ to Directors regarding joining of 2 WTDs shortly and ██████████ email addressing to ██████████ stating "we will be providing you with all the related documents post handling the respective joining formalities as and when both the WTDs join in the next few days. We will keep you posted. Meanwhile, you may like to put in place logistics / IT / workspace arrangements etc. for their enablement on joining"	<ul style="list-style-type: none"> <li>CNK has not disclosed the exact and full contents of email dated 20<sup>th</sup> October 2021 sent by ██████████ had informed the members of NRC, MD and Company Secretary that two WTD candidates appointed are expected to join shortly. <b>PTC HR will ensure completion of their joining formalities and then handover the process of their orientation and also the candidates' dossier to PFS teams.</b></li> <li><b>It may be noted that this email dated 20<sup>th</sup> October 2021 was also sent by ██████████ to ██████████ who had ceased to be a Director of PFS on 14<sup>th</sup> October 2021.</b></li> </ul>
XIX	██████████ has submitted his joining report to the Chairman and the same was accepted by Chairman, PFS on 29th October 2021	<ul style="list-style-type: none"> <li>The comments made by CNK are factually incorrect and misleading. The joining report of ██████████ was not accepted by Chairman PFS. In fact, Chairman PFS had instructed on the said joining report "Accept the joining in terms of decision of the PFS Board in 138<sup>th</sup> and 139<sup>th</sup> meeting"</li> </ul>

S No of Report	Particulars	Management's Response
XXI	<p>When the same was communicated by Company Secretary to the MD &amp; CEO and it was informed by the Company Secretary to the MD &amp; CEO (vide email dated 3rd November 2021) that in such a case the meeting shall be considered invalid. The email of the CS stated that "Further as desired by you earlier, we have not sent the notice of the meeting of the Audit Committee and the Board to Sh. [REDACTED], therefore, the agenda of the Board and Audit Committee meeting may also not sent to him." In spite of this, the MD &amp; CEO directed the CS not to send the notice to [REDACTED]</p>	<ul style="list-style-type: none"> <li>• The event mentioned by CNK is factually incorrect. Ex- CS wrote the email mentioning:  <i>"We have not sent the notice of the meeting of the Audit Committee and the Board to [REDACTED], therefore, the agenda of the Board and Audit Committee meeting may also not sent to him."</i></li> <li>• CS did not inform MD&amp;CEO that in such a case, the meeting shall be considered invalid.</li> <li>• [REDACTED] had not completed his joining formalities and he did not submit Form DIR2 duly signed and accordingly, the notice for attending board meeting as a Director could not be sent to him as per the law. Issuance of any such notice of Board meeting to a person who has not given his consent to act as a Director is an illegal act.</li> </ul>
XXII	<p>In the 75th Audit Committee and Board meeting scheduled for 8 November 2021, Directors highlighted the issue for not giving notice of meeting to [REDACTED] and the meeting was deferred adjourned and was rescheduled to next day on 9th November 2021 and [REDACTED] had sought leave of absence</p>	<ul style="list-style-type: none"> <li>• In terms of Companies Act and rules made thereunder, no person shall act as a Director until and unless he has given his consent in Form DIR2 and [REDACTED] never gave his consent in Form DIR2. Thus, sending notice of any Board / Committee meeting to [REDACTED] would have been illegal and violation of Companies Act.</li> <li>• It may be mentioned that the meeting of Board of Directors of PFS held on 8<sup>th</sup> November 2021 was Chaired by [REDACTED], the then Independent Chairman and the minutes were also approved and signed by him. In the said meeting, the Ex Independent Directors objected to non-issuance of notice of the Board meeting to [REDACTED] which was clarified by [REDACTED] that [REDACTED] was yet to submit certain documents including his relieving letter from [REDACTED], vigilance clearance etc as on that date. Thus, the joining formalities of [REDACTED] were incomplete and he had not joined PFS and [REDACTED] was not a Board Member.</li> <li>• In view of this factual statement of CMD PTC, [REDACTED] was not entitled to receive the notice of Board meetings or participate therein.</li> </ul>

S No of Report	Particulars	Management's Response
		<ul style="list-style-type: none"> <li>• ██████████, the then Company Secretary informed the Board that no intimation regarding joining of ██████████ had been sent to stock exchanges.</li> <li>• In spite of above assertions, the Ex Independent Directors forced the Company to invite ██████████ to attend the Board meeting on 9<sup>th</sup> November 2021. The said action of Ex Independent Directors is clearly a violation of law.</li> <li>• It is clearly recorded in the minutes of Board meeting held on 8<sup>th</sup> November 2021 approved by ██████████ that ██████████ stated that it would be better to invite ██████████ for the meeting and ask him if he does not want to attend, he can ask for leave of absence.</li> <li>• ██████████ asked leave of absence from meeting held on 9<sup>th</sup> November 2021.</li> <li>• It is clearly recorded in the minutes of Board meeting held on 9<sup>th</sup> November 2021 that on request of Independent Directors, invite was sent to Mr Ratnesh.</li> <li>• Thus, ██████████ was invited only at the instance of Ex Independent Directors which was clearly a violation of law since ██████████ was not eligible to receive the notice of Board meetings and participate therein as Director of PFS.</li> </ul>
XXV	<p>On 17th November 2021, ██████████ had mail to ██████████ and informed that he already informed that would join the duties on or before 31st October 2021 and shared the copy of office order dated 28th October 2021 releasing from NTPC Limited and also asked for any other administrative and joining formalities which needs to be completed</p>	<ul style="list-style-type: none"> <li>• On 17th November 2021, ██████████ for the first time shared through email the copy of office order dated 28th October 2021 of NTPC, being his release order from NTPC. The said document clearly stated that ██████████ had retained lien on the post of Chief General Manager in NTPC upto 30.09.2023. This document was concealed and not disclosed by ██████████ and was not available in records of PTC HR till that date. The role of ██████████ in the entire recruitment process is mentioned above. Thus, it is clearly established that ██████████ and ██████████ connived and concealed crucial facts from the Company as well as the Board to ensure joining of ██████████ as Director (Finance) &amp; CFO in a non standard manner.</li> </ul>

S No of Report	Particulars	Management's Response
XXVI	<p>██████████ vide email dated 18th November 2021 again shared the copies of qualification certificates and again asked for the pending details to ██████████</p>	<ul style="list-style-type: none"> <li>The above statement by CNK is factually wrong and misleading. ██████████. ██████████h shared the copies of qualification certificates for the first time on 18<sup>th</sup> November 2021. Nowhere in the said email it is mentioned that ██████████. ██████████ <u>again</u> shared the said documents.</li> </ul>
XXXVI	<ul style="list-style-type: none"> <li>On 16th January 2022, ██████████ replied and asked Company Secretary to send the notice of the meeting to ██████████ as well since he has been appointed as director and also informed to the stock exchange. He further mentioned that being board appointed and having reported to exchange, his cessation if any from the board has to be through Board approval. This is a basic corporate governance and has been made abundantly clear by directors, including ruling from the chair of an earlier meeting which previously on this ground had to be discontinued. It is a matter of considerable disquiet that despite all this, a board meeting is again proposed to be convened without a notice to ██████████, by brushing director's observations. Needless to add all background papers on the ██████████ matter including correspondence from ██████████ to PTC/PFS will have to be placed before a validly convened Board by way of memorandum from PFS management to enable the board take a decision</li> </ul>	<ul style="list-style-type: none"> <li>It is confirmed by CNK that the then Company Secretary had informed the Ex Independent Directors on 4th January 2022 that ██████████ was an employee of NTPC as on 24th December 2021.</li> <li>Being an employee of NTPC, he was clearly not a Whole-Time Director (Finance) &amp; CFO of PFS and thus, was not eligible to receive the notice of Board meeting of PFS.</li> <li>Despite being aware of this fact, the Ex Independent Director ██████████ was forcing the then Company Secretary to send the notice of PFS Board meeting to ██████████. Such directions by ██████████ were clearly illegal and against the corporate ethics.</li> <li>It must be noted that Mr. Ratnesh never completed his joining formalities and PFS never informed the stock exchanges about his joining PFS.</li> <li>Since, ██████████ did not join PFS, there is no question of his resignation letter to PFS.</li> <li>It is noteworthy that until and unless a person joins a Board, he cannot resign and further until and unless a Director resigns from Board, the Board cannot consider and accept resignation or cessation of such Director as contended by ██████████.</li> <li>It is clear that ██████████ was forcing the Company to invite Mr. ██████████ to the Board meetings. ██████████ did not join PFS is also proved by the fact that ██████████ never submitted any resignation to PFS, otherwise without resigning from PFS he would not be in a position to join NTPC, which is a CPSU</li> </ul>
XXXVIII	<p>On 18th January 2022, ██████████ replied back and said that it appears from the correspondence of PTC to ██████████</p>	<ul style="list-style-type: none"> <li>It may be mentioned that the meeting of Board of Directors of PFS held on 8th November 2021 was Chaired by ██████████ the then</li> </ul>

S No of Report	Particulars	Management's Response
	<p>circulated that he was unilaterally terminated. How a director appointed by PFS board could be unilaterally terminated by parent co HR with no intimation to PFS board from PFS management? Can PTC as parent company take decision on PFS whole time director after he has already joined and notice of the meetings issued to him by PFS management? He also mentioned that there is no agenda from PFS management in this matter. PFS management cannot walk away from their responsibility towards the board and its shareholders. It is not possible to discuss this matter in the ensuing board meeting as the material sent is completely inadequate</p>	<p>Independent Chairman and the minutes were also approved and signed by him.</p> <ul style="list-style-type: none"> <li>• In the said meeting, ██████████ had informed the Board that ██████████ was yet to submit certain documents including his relieving letter from NTPC, vigilance clearance etc. as on that date. Thus, the joining formalities of ██████████ were incomplete and he had not joined PFS and ██████████ was not a Board Member.</li> <li>• ██████████, the then Company Secretary informed the Board that no intimation regarding joining of ██████████ had been sent to stock exchanges.</li> <li>• Thus, there was no question of his termination.</li> <li>• ██████████ was trying to mislead by his false contentions that ██████████ a Director of PFS without any documentary proof available therefor. Since, ██████████ never joined PFS, there was no question of his termination.</li> <li>• ██████████ contention is baseless and misleading. ██████████ forced the Company to send the notice of Board meeting to ██████████ which was clearly illegal and violation of law.</li> </ul>
XXXIX	<p>On 19th January 2022, ██████████ replied on the above email and agreed with the points raised by ██████████. He mentioned that the notice for the Board meeting on 22nd January 2022 is not served on all directors and hence the meeting is irregular and invalid. There is also no agenda for the Board meeting to discuss this matter nor any agenda regarding various serious lapses and Governance issues in the company in which IDs have been raising for long in our several emails and this in unacceptable</p>	<ul style="list-style-type: none"> <li>• It is re-iterated that ██████████ never joined the Board of PFS.</li> <li>• ██████████ alongwith ██████████ were forcing the Company to serve the notice of Board meeting to ██████████ when he never joined PFS Board and was already an employee of NTPC as confirmed by NTPC and already informed to independent directors by the then Company Secretary by email dated 4th January 2022.</li> <li>• It is clear that independent directors were misleading and spreading false narratives about joining of ██████████ inspite of knowing the fact on the said date.</li> </ul>
LV	<p>On 2nd February 2022, PFS submitted the point wise reply to SEBI on the issues with respect to ██████████</p>	<ul style="list-style-type: none"> <li>• CNK's observation is factually incorrect as ██████████ never joined PFS Board.</li> </ul>



S No of Report	Particulars	Management's Response
	<ul style="list-style-type: none"> <li>A point in the reply was that “Upon receiving written legal opinion from ██████████, Addl. Solicitor General, Government of India that the joining process remained incomplete, and ██████████ having admitted to this position, the company had decided not to invite him for the board meeting”.</li> </ul> <p>From the documents verified by us we believe that the reply is not in line with the fact that on 31 October 2021 itself, the notice for the meeting to be held on 8 November 2021 was sent to the directors (except ██████████). The ASG opinion was received subsequently on 8 November 2021.</p> <ul style="list-style-type: none"> <li>Another point in the PFS reply was “Despite ██████████ having reverted to his parent employer i.e. NTPC Ltd., the Resigning IDs continued to raise the issue of his not being invited to the Board meeting ...”</li> </ul> <p>From the documents verified by us, we find that the Independent Directors raised the issue in the 142nd Board Meeting held on 8 th November 2021 at which time ██████████ had not joined back NTPC.</p> <ul style="list-style-type: none"> <li>Another point in the reply was that “An offer letter was issued on 7th September 2021 by the Non-Executive Chairperson even before the same was approved by the Board of PFS”.</li> </ul> <p>From the documents verified by us, we find this incorrect since the Board in its 138th meeting held on 28th August 2021 has authorized Chairman to issue the offer. It was also resolved that the Chairman, PFS be and is hereby authorized to take further necessary actions as may be required for giving effect to the appointment of ██████████ as Director (Finance) &amp; CFO including issue of appointment letter and / or offer letter on behalf of the Company.</p>	<ul style="list-style-type: none"> <li>CNK team has raised observations based on limited understanding and without review of complete set of documents / information provided to them. They have presented selective information which is incorrect as well as incomplete.</li> <li><b>The opinion of ASG was taken to get a legal opinion on the stand of PFS on ██████████ joining process. Also, CNK’s observation that ASG’s opinion is based on limited or selected documents is prejudiced and without factual backing. All the documents as made available by PTC (HR) were submitted to ASG to form his opinion.</b></li> <li><b>Moreover, it must be noted that the ASG is a senior law officer of the Government of India and to suggest he would give a written opinion without full facts is unwarranted and unfortunate.</b></li> <li>██████████ had submitted his joining report dated 29 October 2021. The joining report dated 29 October 2021, submitted by Mr. Ratnesh was itself defective. He had mentioned “I hereby join my duties w.e.f. 29 September 2021(FN)”. Forensic Auditor in its <b>comments</b> has not explained how a person can claim joining with retrospective effect.</li> <li>In accordance with the Companies Act, no person can act as a Director unless he/she has submitted consent in DIR-2 form, which ██████████ never did. As such he was never Director of Company. Moreover, he shared his Release order for the first time only on 17 November 2021 and his copies of qualification certificates on 18 November 2021.</li> <li>Further, ██████████ <b>had retained a lien on the post of Chief General Manager in NTPC for a period upto 30 September 2023. He <u>was provisionally released</u> from NTPC as mentioned in the NTPC’s office order dated 28 October 2021. This was <b>deliberately concealed by ██████████ and not disclosed at the time of submitting his joining report on 29.10.2021.</b></b></li> <li>The minutes of 138<sup>th</sup> board meeting clearly indicate the intention <b>to hire candidates on absorption basis only for Director level people</b> and therefore, PFS could not have overlooked any procedure in this regard.</li> <li><b>The board resolution is reproduced below:</b>  <i>"Resolved that in pursuance of section 179, 203, 2(51) and Section 203 read with Schedule V and other applicable provisions of the Companies Act, 2013 read with rules made thereunder (including any statutory</i> </li> </ul>

S No of Report	Particulars	Management's Response
		<p><i>modification or re-enactment thereof, from time to time), and the Articles of Association of the Company, approval for appointment of ██████████ (DIN : 08603968) as whole-time Director with designation as “Director (Finance) &amp; CFO”, PFS, as per the recommendation of the Nomination &amp; Remuneration Committee for a period of five years or the date of superannuation (which at present is 62 years), whichever occurs earlier w.e.f. date of his joining be and is hereby given.</i></p> <p><i>Further resolved that pursuant to section 197, Schedule V and other applicable provisions of the Companies Act, 2013 and rules made thereunder, the Chairman, PFS, be and is hereby authorised to decide the terms and condition of his appointment as Director (Finance) &amp; CFO including his remuneration and other benefits commensurate to Board level functionaries in the Company.</i></p> <p><i>Further resolved that the Chairman, PFS be and is hereby authorized to take further necessary actions as may be required for giving effect to the appointment of ██████████ as Director (Finance) &amp; CFO including issue of appointment letter and/or offer letter on behalf of the Company.</i></p> <p><i>Further resolved that the acceptance of Sh. Ratnesh on the terms and conditions finalised by the Chairman, PFS, including remuneration, other perquisites and benefits be placed to the Board prior to his joining PFS for its noting and to give effect of his appointment as Director (Finance) &amp; CFO.</i></p> <p><i>Further resolved that the appointment of ██████████ as CFO shall be subject to approval of the ensuing Audit Committee as per provisions SEBI Listing Regulations and other applicable laws and the proposal in this regard shall be placed to the Board through Audit Committee.”</i></p> <ul style="list-style-type: none"> <li>• <b>Thus, the Board of PFS in its 138<sup>th</sup> meeting dated 28 August 2021 had clearly resolved that “the appointment of ██████████ as CFO shall be subject to the approval of the ensuing Audit Committee as per provisions SEBI Listing Regulations and other applicable laws and the</b></li> </ul>

S No of Report	Particulars	Management's Response
		<p>proposal in this regard shall be placed to the Board through Audit Committee.”</p> <ul style="list-style-type: none"> <li>• It is important to note that the Board decided to authorise the then Non-Executive Chairman to take further necessary actions as may be required for giving effect to the appointment of ██████████ as Director (Finance) &amp; CFO. Since the appointment was not approved by Board, he could not have been issued any offer letter for the post of CFO.</li> <li>• Audit committee meeting was held on 13 September 2021 in which it recommended the appointment of ██████████ as CFO to the Board.</li> <li>• Thereafter the board meeting was held on 13 September 2021 in which the Board accepted all the recommendations of N&amp;R Committee and Audit Committee and approved the appointment of ██████████ for the position of Director (Finance) &amp; CFO</li> <li>• However, prior to 13 September 2021, the Chairman had issued the appointment letter dated 7 September 2021 ██████████, as Director (Finance) &amp; CFO, whereas his appointment as CFO was recommended by Audit Committee and approved by Board only on 13.09.2021.</li> <li>• The above sequence of events clearly indicates that the appointment letter was issued by the Chairman before the appointment of ██████████, as Director (Finance) and CFO by the board in contravention to the accepted process.</li> <li>• It may also be noted that the guidelines of the Department of Public Enterprises (DPE) prohibit maintaining a lien when leaving a PSU and joining a private company.</li> <li>• The appointment letter dated 7 Sept 2021 issued by the then Chairman, clearly stipulated that at the time of joining he shall submit a ‘Release Order’ and self-attested copies of ‘qualification and experience certificates’.</li> <li>• Further ██████████ did not submit a signed and acknowledged copy of the addendum to the appointment letter, dated 16 September 2021, issued by the then Chairman.</li> <li>• Thus, as on 8 Nov 2021, ██████████ had not joined PFS.</li> </ul>

S No of Report	Particulars	Management's Response
		<ul style="list-style-type: none"> <li>• Therefore, ██████████ provisional release and maintaining lien till 30 Sept 2023 is contradictory to aforementioned board's decision of hiring candidate on absorption basis.</li> <li>• Mr. ██████████ obtained provisional release from NTPC whereas he was supposed to obtain release for joining PFS on absorption basis indicating that he might have misrepresented even with NTPC by non-disclosure of all facts of his offer of appointment.</li> <li>• Due to aforementioned serious lapses in completing the joining pre-requisites, the joining of ██████████ was in process and not completed as on 9 Nov 2021. Accordingly, PFS was under no obligation to share meeting invite to non-existent director.</li> <li>• Without prejudice to above, ██████████ was invited to the meeting dated 9 November 2021 on the direction of the Independent Directors. (earlier scheduled on 8 November 2021). Thus, CNK's observation that Mr. ██████████ was not invited to board meeting is factually incorrect.</li> <li>• However, he sought leave of absence to this meeting vide his email dated 9 Nov 2021.</li> <li>• ██████████ was aware that he being an NTPC employee (a CPSU Company) was governed by conduct rules and would have been in serious violation of code of conduct applicable to government employee, if he were to attend PFS' board meeting. Hence, he sought leave of absence.</li> </ul>

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

<b>Date</b>	<b>Particulars</b>
09.03.2021	NRC and Board decides to advertise posts of Director (Operations) and Director (Finance) by 31 <sup>st</sup> March 2021 and recruitment process be run by PTC Resource person [REDACTED] identified as Resource Person.
21.06.2021	NRC notes that advertisement was not issued. IDs in their meeting held on 15 <sup>th</sup> June 2021 had noted that advertisement was not issued. PFS clarifies its role was limited to issuance of advertisement in press after its receipt from PTC. NRC desires that Advertisement be issued by 30 <sup>th</sup> June 2021.
21.06.2021	[REDACTED] joins Board of PFS. Inducted into NRC.
17.07.2021	[REDACTED] makes presentation before NRC. NRC decides in deviation to policy and past decision: - <ul style="list-style-type: none"> <li>a) To invite applications only from PTC group, promoters of PTC and REC by giving three weeks' time to applicants.</li> <li>b) Increase Superannuation age as 62 years from 60 years.</li> <li>c) Consider internal candidates equivalent to candidates from promoters of PTC and REC for eligibility i.e., no relaxation to internal candidates.</li> <li>d) Allow Deputation/ lien because PTC was selling its stake in PFS so that they can go back in case they are uncomfortable post this event.</li> <li>e) Takes U-Turn on issue of press advertisement decided by NRC and Board in march 2021 and reiterated by IDs in their meeting held on 15<sup>th</sup> June and NRC meeting held on 21<sup>st</sup> June 2021.</li> </ul> <p>NRC ignores almost all the recommendations or suggestions of MD&amp;CEO regarding eligibility and experience except young persons may be brought as Director by reducing entry age but making relaxation in favour of candidates approaching to age of 58 years.</p>
20.07.2021	Application invited through letter of Chairman, PFS but the Job description not uploaded in web sites of PTC or PFS though so mentioned in the letter of Chairman, PFS addressed to CMDs of [REDACTED].
06.08.2021	[REDACTED] submits his application to [REDACTED] on 6 <sup>th</sup> August 2021 (Last date) at 09:12 PM THROUGH EMAIL. No other person had sent applications on [REDACTED] email. The last date was 6 <sup>th</sup> August 2021, 1700, hrs i.e., up to close of office. This fact was never reported by [REDACTED] or PTC HR to NRC.
07.08.2021	[REDACTED] forward application of [REDACTED] to his HR department stating that this application was received yesterday. A clear case of late receipt of application.
11.08.2021	PTC Board approves Management proposal to take pause on sale of PTC stake in PFS. But this information is never disclosed to PFS NRC or Board till 9 <sup>th</sup> November 2021. For the first time when [REDACTED] joins PFS Board as its Chairman. On 9 <sup>th</sup> November 2021, he discloses this information to Board and it becomes basis for restoration of HR powers to MD & CEO.
12.08.2021	The observations and comments of MD on eligibility criteria of candidates stating the same as extremely important are sent by PFS to PTC HR for placing the same before NRC, wherein MD also requests that he may be allowed to participate in selection/ interview process.
13.08.2021	MD sent an email to NRC members also enclosing his comments and request to allow him to participate in Selection/interview process.

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

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





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

**I. ASG Opinion**

S No of Report	Particulars	Management's Response
	<p><b>CNK Observations on ASG Opinion</b></p> <p>The management received opinion of the ASG on 8th November 2021, which was presented to the Board. Further, the opinion seems to have been given only based on limited documents made available to the ASG and discussions with the briefing counsel.</p> <p>In our view, the aforesaid opinion is based on limited or selective documents made available and discussions and conferences with the briefing counsel and confined to the limited query as posed and sought for. It does not seem to cover the various aspects of ██████ being appointed as Director (Finance) on 7th September 2021, and not being allowed to attend any meetings, forcing him to return to NTPC. The lack of governance in not following instructions of the Board, not intimating regulators in time, does not have been placed before the ASG for the purpose of framing his opinion. Hence the opinion needs to be considered in the light of the limited facts and documents provided and cannot be regarded as a blanket approval of the position taken by the management.</p>	<ul style="list-style-type: none"> <li>• CNK's view that ASG's opinion seems to have been given only based on limited documents made available to the ASG and discussions with the briefing counsel is baseless, without evidence and mere conjecture.</li> <li>• ASG was provided with the requisite information and documentation as sought by ASG.</li> <li>• ASG is a responsible law officer of the Government of India and is aware of his role, responsibilities and obligations under the law. It is unbecoming to make such an allegation. He will never give an opinion based on incomplete facts.</li> <li>• <b>The PFS Board had clearly decided that the candidate at Director Level is to be appointed on absorption basis and not on lien and hence the implementation of Board decision cannot be construed as the lack of governance in not following instructions of the Board. The lack of corporate governance was in ██████ ██████ giving false information to the Board about ██████ joining on absorption basis and ██████ concealing material information from the Company while joining. Both these gentlemen concealed or misinformed the Board of material facts. It would have been appropriate for CNK to have highlighted the misconduct of ██████ in its report.</b></li> <li>• It may also be noted that the <b>guidelines of the Department of Public Enterprises (DPE) prohibit maintaining a lien when leaving a PSU and joining a private company.</b></li> <li>• The entire process of recruitment of Whole-Time Directors in PFS was run and managed by PTC HR and PFS had no role to play till the joining formalities including statutory compliances of Whole-Time Directors were completed.</li> </ul>

S No of Report	Particulars	Management's Response
		<ul style="list-style-type: none"> <li>• It is inappropriate to mention that “not intimating regulators in time, does not have been placed before the ASG for the purpose of framing his opinion” since it has no impact on the joining process / defects in documents. It may be emphasized that the Company submitted requisite information to regulators and exchanges as was required in accordance with the law.</li> <li>• PFS has obtained signed opinion of ASG, a responsible law officer of the Government and CNK should have made their observation based on ASG signed opinion. ASG gives his opinion after perusing the requisite documents as required for framing his opinion and it is inappropriate to say that “Hence the opinion needs to be considered in the light of the limited facts and documents provided” without providing the basis of such statement and the documents which were missing to be seen by ASG.</li> <li>• CNK's allegation that ██████████ was forced to return to NTPC are baseless and factually incorrect. CNK has completely ignored the fraudulent conduct of ██████████ in withholding his relieving letter from NTPC and concealing the information that he has retained lien in NTPC. This was clearly in violation of PFS' Board's decision that Whole-Time Directors shall join on absorption basis as also confirmed by CNK in his report.</li> <li>• There was no consent received from ██████████ including DIR 2 Form, accordingly, he never joined PFS Board and he was never a Director on Board of PFS. Hence, no intimation to Regulator/Exchange without fulfilling legal requirement could have been given.</li> </ul>

## II ■■■■ Report

S No of Report	Particulars	Management's Response
	<p><b>CNK Observations on ■■■■ Report</b></p> <p>The management has received the ■■■■ Report in January 2022. It has not been presented to the Board. The sequence of events for appointment of ■■■■ does not seem to have been considered and there are no comments on the same in the report. It seems that the scope of the ■■■■ assignment was limited to review of the process of appointment of WTD based only on documents submitted by the company with no independent verification carried out. Also, they were appointed by PTC, the holding company of PFS, and there was no information given or shared with the Board of PFS for the same. In view of this, therefore, the report does not seem to have considered points like whether notices of the meeting of the Board and Audit Committee was issued to ■■■■ in the capacity of Director Finance &amp; CFO</p>	<ul style="list-style-type: none"> <li>• The observation is factually incorrect. The ■■■■ report was requisitioned by PTC India Limited and NOT the Management of PFS. This is admitted by CNK in the same itself.</li> <li>• PTC are PFS independent listed entities, PFS does not have access information regarding a report commissioned by PTC India Limited and therefore PFS cannot inform its about board the same, unless PTC advises the Company to place it before the PFS' Board.</li> <li>• The comments made by CNK that the sequence of events for appointment of ■■■■ does not seem to have been considered and there are no comments on the same in the report are not correct since ■■■■ has analysed the present case of hiring of Director (Finance) and Director (Operations) which is evident from their report. In this recruitment process, ■■■■ was appointed as Director (Finance) &amp; CFO.</li> <li>• CNK seems to have completely ignored the concerns raised by ■■■■ in regard to appointment of Director (Finance) &amp; CFO, which states as under: <ul style="list-style-type: none"> <li><i>“The process followed for the hiring of the Director – Finance and the Director – Operations was evaluated from the lenses of compliance, industry alignment of practices and from a governance perspective and was found to have multiple gaps across every stage of the hiring and selection process.</i></li> <li><i>Right from the identification of the need for the position to creating the job descriptions and the ideal candidate profile, there was no consideration given to the industry and the practices of some of the leading NBFCs. This was done in an environment where there have been large public scandals and lapses in governance. The hiring committee did not place due emphasis on assessing the current capability of the Board and finding candidates/profiles who complement the existing skill sets nor</i></li> </ul> </li> </ul>

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

S No of Report	Particulars	Management's Response
		<p><i>consensus in hiring a senior managerial position cannot be re-emphasized.</i></p> <p><i>Besides this there were irregularities in submitting documents on time from the candidates end, the issue of deputation for the hired incumbent and specific changes in the remuneration post the offer had been released once.</i></p> <p><i>Considering that the organization is listed, operates in a highly regulated environment and there are significant irregularities in the process. The organization should relook at the entire hiring process including the current hiring of the Director – Operations and the Director - Finance and re-evaluate the director selection process that is being followed in the organization. Additionally, the organization needs to look at introducing effective mechanisms to measure and evaluate the performance of the Board and its Directors to ensure that the due process is followed, and appropriate feedback can be communicated to Directors and Board members in a systemic and scientific manner.”</i></p> <ul style="list-style-type: none"> <li>• It must be noted that ██████ Report was issued on 19<sup>th</sup> January 2022 and on the same day the Ex Independent Directors had resigned from PFS.</li> <li>• Further, it may be mentioned that in the Board meeting of PFS held on 8<sup>th</sup> November 2021, which was Chaired by ██████ the then Independent Chairman, ██████ had clarified that ██████ was yet to submit certain documents including his relieving letter from ██████ vigilance clearance etc as on that date. Thus, the joining formalities of ██████ were incomplete and he had not joined PFS and ██████ was not a Board Member, thus, not entitled to receive the notice of Board meetings or participate therein.</li> <li>• ██████, the then Company Secretary informed the Board that no intimation regarding joining of ██████ had been sent to stock exchanges.</li> <li>• ██████ report was with regard to the recruitment process and as such, the matters like issuance of notices for Board / Audit Committee meetings are irrelevant.</li> </ul>

S No of Report	Particulars	Management's Response
		<ul style="list-style-type: none"> <li>• ██████████ did not complete his joining formalities and never became a Director of PFS, hence he was not eligible to be invited to PFS' Board meetings. CNK's observations are baseless, misplaced and misleading. ██████████ did not join PFS Board hence, notices of PFS' Board meetings could not have been issued to him as per law of the land.</li> <li>• It must be noted that CNK has made a factually incorrect statement that notice of audit committee meeting was sent to ██████████ was not made a member of audit committee at any point of time since he was not even a Board member of PFS and accordingly, no notice of any audit committee meeting could have been sent to him.</li> </ul>

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

S No of Report	Particulars	Management's Response
	<p><b>Background of appointment of Director (Finance) and CFO</b></p> <p>[REDACTED] had been appointed by the Board as Director (Finance) &amp; CFO after following the Board run process. The current Managing Director did not allow him to join and function as Whole Time Director (Finance) &amp; CFO, although he had already joined the Company vide his joining report dated 29th October 2021. The Management had also informed the stock exchanges suitably in September on his acceptance of the offer</p>	<ul style="list-style-type: none"> <li>• The entire recruitment and joining process of [REDACTED] was handled by PTC HR. The MD&amp;CEO had no role to play at any stage.</li> <li>• <b>It is pertinent to mention that the allegations made by Ex-Independent Directors that Managing Director did not allow him to join and function as Whole Time Director (Finance) &amp; CFO are merely based on hearsay. They have not provided any documentary evidence regarding the same. [REDACTED], the then Chairman PFS also did not provide any documentary evidence regarding the said allegations against MD&amp;CEO. CNK seems to have remained silent upon this basic premise for the in its entire report.</b></li> <li>• <b>MD&amp;CEO, PFS was completely disempowered by the erstwhile Chairman / Board. MD&amp;CEO had no powers to decide on the appointments, transfers, promotions and postings at the level of functional head and one level below. In other words, the MD&amp;CEO could not even appoint a Manager in PFS and even RBI, the regulator of NBFCs had raised concerns.</b></li> <li>• The Company informed the stock exchanges that the Board of Directors in their meeting held on 13<sup>th</sup> September 2021 has approved the appointment of [REDACTED] as Whole-Time Director (Finance) &amp; CFO w.e.f. date of his joining and appointment of [REDACTED] [REDACTED] [REDACTED] as Director (Operations) w.e.f. date of his joining.</li> <li>• There was no announcement to the stock exchanges on acceptance of offer by [REDACTED] nor has CNK provided any evidence of the same.</li> <li>• As communicated by [REDACTED], vide his email dated 20<sup>th</sup> October 2021, PTC HR was required to ensure completion of their joining formalities and then handover the process of their orientation is placed at the end.</li> <li>• [REDACTED] did not complete his joining formalities on 29<sup>th</sup> October 2021 which stipulated submission of release order from his last organisation, self</li> </ul>

S No of Report	Particulars	Management's Response
		<p>attested copies of qualification and experience certificates. The appointment letter also mentioned that <b>if any declaration given by ██████████ at the time of his joining is found to be wrong or if found to be wilfully suppressed any material information, the appointment itself shall be deemed to be void.</b></p> <ul style="list-style-type: none"> <li>• <b>The minutes of the board meeting held on 13<sup>th</sup> September 2021 clearly indicate that hiring of candidates was to be on absorption basis only for Director level people and that PFS should not overlook any procedure in this regard. Therefore, ██████████s release on lien basis, and maintaining lien till 30 Sept 2023 is contradictory to aforementioned board's decision of hiring candidate on absorption basis. This document was submitted for the first time by ██████████ on 17<sup>th</sup> November 2021, thus his joining in PTC was incomplete. His concealing this vital fact amounts to an act of fraud.</b></li> <li>• ██████████ submitted joining report dated 29 October 2021. However, his Release order from ██████████ was shared by him with PTC HR and not with PFS for the first time only on 17 November 2021 through email and his copies of qualification certificates on 18 November 2021. As per offer of appointment dated 7 Sept 2021, he was required to provide the 'release order' and 'qualification certificates' at the time of joining.</li> <li>• The joining report was defective since the date of joining was mentioned as 29 September 2021.</li> <li>• ██████████ had retained lien on the post of Chief General Manager in ██████████ for a period upto 30 September 2023. This fact was not disclosed by ██████████ at the time of submission of his joining report. Also appointment letter was issued on absorption basis.</li> <li>• It may be mentioned that Nomination and Remuneration Committee of PFS, in its meeting held on 23<sup>rd</sup> December 2019, took the strange and unprecedented decision that all the HR matters of PFS shall be dealt with the approval of Director (HR), PTC, which included, matter related to appointments, transfers, postings, promotions etc. and internal communication to employee. PFS (HR) team was to assist Director (HR), PTC in all these matters.</li> <li>• Subsequently, in its meeting held on 27<sup>th</sup> January 2020, the NRC made certain amendments to above. However, MD&amp;CEO continued to be</li> </ul>



S No of Report	Particulars	Management's Response
		<p>completely disempowered by the erstwhile Chairman / Board. MD&amp;CEO had no powers to decide on the appointments, transfers, promotions and postings at the level of functional head and one level below. In other words, the MD&amp;CEO could not even appoint a Manager in PFS.</p> <ul style="list-style-type: none"> <li>• This abnormal arrangement diminished the arm's length relationship between the holding company and its subsidiary.</li> <li>• RBI raised concern on arm's length relationship of Company with its Parent Company i.e. PTC India Limited in its inspection report and mentioned that Arm's length relationship with its parent company, PTC India Limited, was not ensured w.r.t the management of human resources.</li> <li>• RBI also raised this as a Supervisory Concern during its inspection for the year ended 31<sup>st</sup> March 2020 and directed that the company shall ensure arm's length relationship with its parent company, i.e. PTC India Limited, w.r.t the management of human resources.</li> <li>• The inspection report and supervisory concerns were raised by RBI vide its letters dated 12<sup>th</sup> May 2021 and 4<sup>th</sup> June 2021 respectively.</li> <li>• The above inspection reports and directions of RBI were placed before the Board of PFS, which regrettably did not comply.</li> <li>• The concerns raised by RBI were also reviewed by the Ministry of Power (MoP) which directed PTC and PFS to comply with RBI's report and recommendations to the satisfaction of RBI.</li> <li>• MoP specifically directed reversing of decisions that impair proper Corporate Governance, maintenance of suitable arm's length distance between the two companies and immediately addressing the conflicts.</li> <li>• In blatant disregard to the supervisory concerns and inspection findings of RBI, and directives issued by MoP, the erstwhile and Board decided to entrust the entire process of appointment of Directors to HR of PTC India Limited.</li> <li>• The then Non-Executive Chairman issued the appointment letter to ██████████ on 7<sup>th</sup> September 2021 even before the PFS Board accepted and approved the recommendations of N&amp;R Committee and Audit Committee and approved the appointment of ██████████ for the position of Director (Finance) &amp; CFO by PFS Board. The same is evident from the minutes of Board meeting held on 13<sup>th</sup> September 2021.</li> </ul>

S No of Report	Particulars	Management's Response
		<ul style="list-style-type: none"> <li>• It is pertinent to mention that the Board authorised the then Non-Executive Chairman to take all actions relating to appointment of ██████████ and undue haste was exercised to ensure the joining of ██████████ on 29th October 2021 without submission of required documents as stipulated in appointment letter signed by the then Chairman.</li> <li>• The joining process was led by the then Chairman and ██████████, HR PTC and it was closer to the last day of the then Chairman.</li> <li>• It may also be noted that the guidelines of the Department of Public Enterprises (DPE) prohibit maintaining a lien when leaving a PSU and joining a private company</li> <li>• Being a PSU employee, ██████████ was not eligible to retain Lien while joining a private sector company. Thus, he retained a lien probably by misrepresentation to ██████████, a CPSU.</li> <li>• ██████████, HR Head PTC informed the Board in its meeting held on 13<sup>th</sup> September 2021 that ██████████ was joining on absorption basis. This was a factually incorrect statement as the relieving letter ██████████ which was made available by him later in November 2021 was not on absorption basis. Board approved the appointment of WTDs based on this confirmation given to them. The letter of appointment was issued on absorption basis and it had no option of deputation/lien in any of its covenants.</li> <li>• It is pertinent to note that the erstwhile audit committee itself found that the experience of ██████████ is questionable as evident from the minutes of meetings of Audit Committee and Board held on 13<sup>th</sup> September 2021. <ul style="list-style-type: none"> <li>○ The Audit Committee members in the audit committee Chaired by ██████████ realised that ██████████ did not possess NBFC experience. However, rather than making their own independent assessment, audit committee relied on the views of N&amp;R Committee. Instead, the audit committee members were of the view that Sh. Ratnesh will be assisted by the team of experienced professionals in PFS who have good experience of NBFC sector and also have the guidance of MD&amp;CEO to work as Director (Finance) &amp; CFO. In effect, the Audit Committee recommended ██████████ be trained in his job as a Director, drawing a compensation of over one crore plus perks, be trained and taught his job by the MD.</li> </ul> </li> </ul>

S No of Report	Particulars	Management's Response
		<ul style="list-style-type: none"> <li>• It is also to be noted that in accordance with the Master Directions issued by RBI, PFS is required to furnish to RBI, a certificate signed by the Managing Director confirming that fit and proper criteria in selection of the Directors has been followed. Therefore, the MD&amp;CEO had a legal obligation to ensure that the selection of ██████████ was fit and proper, notwithstanding that the entire process was managed by PTC HR.</li> <li>• <b>Thus, it is clearly visible that CNK has presented its finding without taking cognisance of the complete set of documents and information made available to them and they have made baseless allegations against the PFS management.</b></li> <li>• <b>CNK has correctly mentioned in sequence of events no. XVII that addendum to the appointment letter was issued on 16th September 2021 to ██████████ under the signature of Chairman, PFS. This addendum, however, was not signed by ██████████.</b></li> <li>• The intimation sent to exchanges by PFS did not contain any statement about acceptance of offer by ██████████</li> </ul>
	<p><b>Comments of Independent Directors on ASG Opinion Report dated 08th November 2021</b></p> <p>In this context, an opinion was taken from Additional Solicitor General ("ASG"), without informing the Board. This opinion mentions that joining process of ██████████ is incomplete. It is pertinent that the opinion does not dispute the fact that ██████████ had joined the Company and same is informed to the as per the board resolution And informed to the stock exchanges. Nor does it say that he cannot function as a director on the Board pending the completion of this joining process. Regrettably, the Independent Directors were not given the briefing note given to the ASG even after we requested that this be provided to us. Thus, we do not know if the facts were properly placed before the ASG including the views ██████████. We also do not know the exact queries and factual background placed before the ASG for his opinion. Repeated requests for information regarding his status were all met</p>	<ul style="list-style-type: none"> <li>• The comments of Ex Independent Directors on ASG's opinion are highly unethical, unprofessional, baseless, without evidence and mere conjecture.</li> <li>• ASG was provided with the requisite information and documentation as sought by ASG as available with PFS.</li> <li>• ASG is a responsible law officer of the Government of India and is aware of his role, responsibilities and obligations under the law. It is unbecoming to make such an allegation. He will never give an opinion based on incomplete facts.</li> <li>• <b>The PFS Board had clearly decided that the candidate at Director Level is to be appointed on absorption basis and not on lien and hence the implementation of Board decision cannot be construed as the lack of governance in not following instructions of the Board. The lack of corporate governance was in ██████████ ██████████ giving false information to the Board about ██████████ joining on absorption basis</b></li> </ul>

S No of Report	Particulars	Management's Response
	<p>with silence. However, on our insistence he was invited for the Board meeting on the 9th of November and copied on the relevant circular resolutions on the 8th. However, this did not happen in the subsequent meeting/Circular Resolutions</p>	<p><b>and ██████████ concealing material information from the Company while joining. Both these gentlemen concealed or misinformed the Board of material facts. It would have been appropriate for CNK to have highlighted the misconduct of ██████████ in its report.</b></p> <ul style="list-style-type: none"> <li>• The entire process of recruitment of Whole-Time Directors in PFS was run and managed by PTC HR and PFS had no role to play till the joining formalities including statutory compliances of Whole-Time Directors were completed.</li> <li>• PFS has obtained signed opinion of ASG, a responsible law officer of the Government and CNK should have made their observation based on ASG signed opinion. ASG gives his opinion after perusing the requisite documents as required for framing his opinion and it is inappropriate to say that "Hence the opinion needs to be considered in the light of the limited facts and documents provided" without providing the basis of such statement and the documents which were missing to be seen by ASG.</li> <li>• It may be mentioned that the meeting of Board of Directors of PFS held on 8<sup>th</sup> November 2021 was Chaired by ██████████, the then Independent Chairman and the minutes were also approved and signed by him. In the said meeting, the Ex Independent Directors objected to non-issuance of notice of the Board meeting to ██████████ which was clarified by ██████████ that ██████████ was yet to submit certain documents including his relieving letter from ██████████, vigilance clearance etc as on that date. Thus, the joining formalities of Mr. Ratnesh were incomplete and he had not joined PFS and ██████████ was not a Board Member.</li> <li>• In view of this factual statement of CMD PTC, ██████████ was not entitled to receive the notice of Board meetings or participate therein.</li> <li>• ██████████, the then Company Secretary informed the Board that no intimation regarding joining of ██████████ had been sent to stock exchanges.</li> <li>• <b>In spite of above assertions, the Ex Independent Directors forced the Company to invite ██████████ to attend the Board meeting on 9<sup>th</sup> November 2021. The said action of Ex Independent Directors is clearly a violation of law.</b></li> <li>• <b>It is clearly recorded in the minutes of Board meeting held on 8<sup>th</sup></b></li> </ul>

S No of Report	Particulars	Management's Response
		<p><b>November 2021 approved by ██████████ stated that it would be better to invite ██████████ for the meeting and ask him if he does not want to attend, he can ask for leave of absence.</b></p> <ul style="list-style-type: none"> <li>• Mr. Ratnesh asked leave of absence from meeting held on 9<sup>th</sup> November 2021.</li> <li>• It is clearly recorded in the minutes of Board meeting held on 9<sup>th</sup> November 2021 that on request of Independent Directors, invite was sent to ██████████.</li> <li>• Thus, ██████████ was invited only at the instance of Ex Independent Directors which was clearly a violation of law since ██████████ was not eligible to receive the notice of Board meetings and participate therein as Director of PFS.</li> <li>• It is factually incorrect that repeated requests from Ex Independent Directors for information regarding his status were all met with silence. Dr. ██████████ the Non-Executive Chairman of PFS was in discussions with Ex Independent Directors. He had informed PTC RMC also that since 9<sup>th</sup> November 2021, there were more than 50 calls with Independent Directors and two video informal meetings to explain them the various issues. This is mentioned in the PTC RMC report also.</li> <li>• It is to be noted that ██████████, Chairman PFS vide his email dated 14<sup>th</sup> December 2021 addressed to all Ex Independent Directors, conveyed that the directives of Ministry of Power advising both entities to ensure Corporate Governance as pointed out by RBI. In this connection, PTC and PFS should comply with RBI's report and recommendation to the satisfaction of RBI forthwith without any further delay. This includes reversal of decisions that impair proper Corporate Governance, maintenance of suitable arm's length distance between two companies and immediately addressing the conflicts. He informed that their points may first be considered through a discussion in the Board and a separate legal opinion may be taken to facilitate resolution of any ambiguity, if any.</li> <li>• ██████████, Chairman PFS vide his email dated 17<sup>th</sup> December 2021 addressed to all Ex Independent Directors, informed that PFS Board in last six months has met several times and deliberated the governance issues including RBI inspection report. However, in the board meeting held on 8<sup>th</sup> November 2021 it was emphasized by him that the issue needs to be</li> </ul>

S No of Report	Particulars	Management's Response
		addressed in all aspects which includes but not limited to regulatory, administrative and legal.
	<p><b>Hiding of information from Board</b></p> <p>Only on 10th January 2022 we were informed by the Company Secretary that ██████ had re-joined ██████ on 6th December 2021. No explanation was given as to why he re-joined ██████ and the circumstances that led to his returning to ██████. Moreover, it was alleged that he withheld the fact that he had come from ██████ on lien. If this was indeed so it is not clear why this fact was not placed before the Board for a decision on the further course of action. This assertion does not also tally with the facts that we have informally ascertained. As has been implied in the same email the fact that he came on lien is mentioned in his relieving letter issued by ██████. If so, how did he join without sharing his relieving letter. We are unfortunately not able to come to any definitive conclusion on this issue as the management had steadfastly refused to share all relevant information with the Board, though repeatedly requested by all the Independent Directors</p>	<ul style="list-style-type: none"> <li>• <b>MD&amp;CEO, PFS was completely disempowered by the erstwhile Chairman / Board. MD&amp;CEO had no powers to decide on the appointments, transfers, promotions and postings at the level of functional head and one level below. In other words, the MD&amp;CEO could not even appoint a Manager in PFS and even RBI, the regulator of NBFCs had raised concerns.</b></li> <li>• It may be mentioned that Nomination and Remuneration Committee of PFS, in its meeting held on 23<sup>rd</sup> December 2019, took the strange and unprecedented decision that all the HR matters of PFS shall be dealt with the approval of Director (HR), PTC, which included, matter related to appointments, transfers, postings, promotions etc. and internal communication to employee. PFS (HR) team was to assist Director (HR), PTC in all these matters.</li> <li>• Subsequently, in its meeting held on 27<sup>th</sup> January 2020, the NRC made certain amendments to above. However, MD&amp;CEO continued to be completely disempowered by the erstwhile Chairman / Board. MD&amp;CEO had no powers to decide on the appointments, transfers, promotions and postings at the level of functional head and one level below. In other words, the MD&amp;CEO could not even appoint a Manager in PFS.</li> <li>• The joining process was led by the then Chairman and ██████, HR PTC and it was closer to the last day of the then Chairman.</li> <li>• ██████ submitted joining report dated 29 October 2021. However, his Release order from NTPC was shared by him for the first time only on 17 November 2021 through email and his copies of qualification certificates on 18 November 2021. As per offer of appointment dated 7 Sept 2021, he was required to provide the 'release order' and 'qualification certificates' at the time of joining.</li> <li>• The joining report was defective since the date of joining was mentioned as 29 September 2021.</li> </ul>

S No of Report	Particulars	Management's Response
		<ul style="list-style-type: none"> <li>• ██████████ had retained lien on the post of Chief General Manager in NTPC for a period upto 30 September 2023. This fact was not disclosed by Mr. Ratnesh at the time of submission of his joining report. Also appointment letter was issued on absorption basis.</li> <li>• It may also be noted that the guidelines of the Department of Public Enterprises (DPE) prohibit maintaining a lien when leaving a PSU and joining a private company</li> <li>• Being a PSU employee, ██████████ was not eligible to retain Lien while joining a private sector company. Thus, he retained a lien probably by misrepresentation to ██████████, a CPSU.</li> <li>• The minutes of the board meeting held on 13<sup>th</sup> September 2021 clearly indicate that hiring of candidates was to be on absorption basis only for Director level people and that PFS should not overlook any procedure in this regard. Therefore, ██████████ release on lien basis and maintaining lien till 30 Sept 2023 is contradictory to aforementioned board's decision of hiring candidate on absorption basis. His concealing this vital fact amounts to an act of fraud.</li> <li>• ██████████, HR Head PTC informed the Board in its meeting held on 13<sup>th</sup> September 2021 that ██████████ is joining on absorption basis. This was a <b>factually incorrect statement</b>. Board approved the appointment of WTDs based on this confirmation given to them. The letter of appointment was issued on absorption basis and it had no option of deputation/lien in any of its covenants.</li> <li>• ██████████ did not submit Form DIR2 duly signed and accordingly, he never joined PFS.</li> </ul>
	<p><b>Management is keen to run the company with one Whole time Director</b></p> <p>It is pertinent to add that the Company was functioning for more than two years with only two full time Directors against the three authorized positions. The second Director had also retired and management appeared to be keen to run the company with one. For a listed NBFC in the business of lending, the Directors felt that this</p>	<ul style="list-style-type: none"> <li>• <b>MD&amp;CEO, PFS was completely disempowered by the erstwhile Chairman / Board. MD&amp;CEO had no powers to decide on the appointments, transfers, promotions and postings at the level of functional head and one level below. In other words, the MD&amp;CEO</b></li> </ul>

S No of Report	Particulars	Management's Response
	was fraught with risk	<p><b>could not even appoint a Manager in PFS and even RBI, the regulator of NBFCs had raised concerns.</b></p> <ul style="list-style-type: none"> <li>As mentioned in sequence of events above by CNK, the Board of Directors in their meeting held on 12<sup>th</sup> November 2018, noted the minutes of 32<sup>nd</sup> and 33<sup>rd</sup> NRC meeting and regarding the actions for filling up the position of Director (Finance) &amp; CFO, the various aspects were discussed by the Board including identification of the suitable candidate for the post and its requirement and the Board decided that the Nomination &amp; Remuneration Committee may issue the advertisement for the position of Executive Director level / EVP and in order to attract good candidates a clause be inserted in the advertisement that based on her/his performance there exists possibility of further elevation to board level position.</li> <li>Thus, it was Board's decision in November 2018 not to appoint Director (Finance).</li> <li>Thereafter, it was only in the board meeting held on 9<sup>th</sup> March 2021 that the Board agreed that advertisements for the post of Director (Finance) &amp; CFO and Director (Operations) be issued by 31<sup>st</sup> March 2021 since Director (Operations) will be superannuating in July 2021. The Board was also of the opinion that the same process may be followed for the selection as was done earlier incase of appointment of MD &amp;CEO and the recruitment process would be handled by a resource person from PTC, as was in case of MD &amp; CEO. ██████████ was identified as the resource person for the said job from PTC.</li> <li>Director (Operations) superannuated in July 2021. Till then there were two Whole-Time Directors in the Company.</li> </ul>
	<p><b>Making the NRC dysfunctional</b></p> <p>The Chairman NRC, ██████████ had requested for an NRC meeting to be held after the management repeatedly did not heed requests to convene one. This was done as the company was in grave danger of violating certain timelines under LODR. He was then requested on behalf of the Chairman to postponeit by a few days ostensibly to enable the management to include some agenda.</p>	<ul style="list-style-type: none"> <li>The above comments are baseless and factually incorrect. Moreover, there was no regulatory non-compliance.</li> <li>It may be mentioned that the term of ██████████ as Independent Director on PFS Board ended on 14<sup>th</sup> October 2021.</li> <li>The Company was required to induct a Woman Independent Director within 90 days of vacancy and accordingly, such induction was required to</li> </ul>



S No of Report	Particulars	Management's Response
	<p>When this was acceded to, the Chairman PTC promptly withdrew the nomination of ██████████ to the PFS Board. This led to the NRC becoming dysfunctional which appeared to be the intention. ██████████ pointed this out to Chairman PTC/PFS the same day - December 11th. Even after that no corrective action was taken. On December 31st a circular resolution was sent out. However, as it was severely defective it could not be approved. The NRC remained dysfunctional till the time we all resigned.</p>	<p>be done by 12<sup>th</sup> January 2022. There was no regulatory non-compliance as there was sufficient time to appoint Woman Independent Director on PFS Board.</p> <ul style="list-style-type: none"> <li>• However, it can be clearly verified from the emails sent by all the then Independent Directors of PFS, through their emails dated 18<sup>th</sup> December 2021 addressed to Chairman PFS that the primary intention of the independent directors was to grant extension in the tenure of one of the independent director.</li> <li>• The emails sent by all the then independent directors on 18<sup>th</sup> December 2021 addressed to Chairman PFS, interalia stated that “you have referred to compliance of SEBI LODR. While this is important <b>there are other matters that need the urgent attention of the NRC. The most important of these at present is the extension / reappointment of ██████████ ██████████ as Independent Director for a period of three years as his present term ends on 31<sup>st</sup> December 2021. Your email is unfortunately silent on this issue.</b>”</li> <li>• It is pertinent to mention that the policy of PFS for appointment of independent directors, as was existing on 18<sup>th</sup> December 2021, stipulated the maximum age of independent director at the time of appointment as 67 years and the said independent director had already completed 68 years of age on the proposed date of his reappointment and thus, <b>was not eligible to be appointed in terms of policy of the Company.</b></li> <li>• However, the resigning independent directors were forcing to call a meeting of the NRC for appointing an ineligible independent director on the board of Company.</li> <li>• All this information was made available to CNK but CNK has chosen not to present the same in its report nor point out the impropriety and corporate mis-governance in the ex-IDs in regard to re-appointing ID despite being ineligible.</li> <li>• It is also pertinent to mention that NRC could not be reconstituted on 31<sup>st</sup> December 2021 since all the then independent directors had rejected the proposal to reconstitute the NRC on the grounds that resolution by circulation was not sent to ██████████, whereas ██████████ was never a Director of PFS either <i>de jure</i> or <i>de facto</i>.</li> </ul>

S No of Report	Particulars	Management's Response
		<ul style="list-style-type: none"> <li>• It is important to note that ██████████, the Non-Executive Chairman of PFS was in discussions with Ex Independent Directors. He had informed PTC RMC also that since 9th November 2021, there were more than 50 calls with Independent Directors and two video informal meetings to explain them the various issues. This is mentioned in the PTC RMC report also.</li> <li>• It is to be noted that ██████████, Chairman PFS vide his email dated 14th December 2021 addressed to all Ex Independent Directors, conveyed that the directives of Ministry of Power advising both entities to ensure Corporate Governance as pointed out by RBI. In this connection, PTC and PFS should comply with RBI's report and recommendation to the satisfaction of RBI forthwith without any further delay. This includes reversal of decisions that impair proper Corporate Governance, maintenance of suitable arm's length distance between two companies and immediately addressing the conflicts. He informed that their points may first be considered through a discussion in the Board and a separate legal opinion may be taken to facilitate resolution of any ambiguity, if any.</li> <li>• ██████████, Chairman PFS vide his email dated 17th December 2021 addressed to all Ex Independent Directors, informed that PFS Board in last six months has met several times and deliberated the governance issues including RBI inspection report. However, in the board meeting held on 8th November 2021 it was emphasized by him that the issue needs to be addressed in all aspects which includes but not limited to regulatory, administrative and legal.</li> </ul>

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

S No of Report	Particulars	Management's Response
	<p><b>CNK Observations on extracts of comments of 2 Independent Directors and members of the PTC RMC, [REDACTED] on the draft report of Risk Management Committee of PTC on governance issues arising out of resignation letters of independent directors</b></p> <p>The above detailed observations made by 2 members (Independent Directors) of PTC RMC, (one of these is current ID of the company), by referring to the sequence of events and the correspondence with [REDACTED] also bring out the views of independent directors that the management of the company were trying to ensure that [REDACTED] was not appointed (or for that matter anyone else also as WTD – Finance) and that the lapses, if at all, in his appointment, were merely technical and curable. This again brings out the fact that the management did not want introduction of 'checks and balances' which would have come into play on appointment of a whole time Director (Finance).</p>	<ul style="list-style-type: none"> <li>• The allegations raised by CNK that the management did not want introduction of 'checks and balances' which would have come into play on appointment of a whole time Director (Finance) are baseless and without careful and detailed evaluation of the documents / information provided to them by PFS and not backed by any concrete evidence.</li> <li>• It is highly inappropriate to say that the management did not want introduction of 'checks and balances' which would have come into play on appointment of a whole time Director (Finance). On the contrary, CNK's findings are without any detailed verification of the documents / information provided to them by PFS and evaluation of the facts.</li> <li>• It is emphasized that the PTC Board approved the PTC RMC report by majority and thus the report and its conclusion have been approved and the report is final. The minority view expressed by 2 independent directors does not supersede the Board's decision that has been approved by majority. This is a fundamental principle of law.</li> <li>• <b>The comments of 2 Independent Directors and members of the PTC RMC, [REDACTED] the draft report of PTC RMC have been duly considered by the PTC Board, which thereafter approved the PTC RMC report. Hence, they are now no longer relevant as they have been addressed and responded to both by the Board and PTC RMC in Annexure 27 of the PTC RMC report.</b></li> <li>• It is pertinent to mention that while deliberating upon the PTC RMC Report in PTC Board meeting, One of the nominee Director had specifically asked in PTC Board meeting whether joining by [REDACTED] on lien basis instead of absorption basis was a curable act as the Board of PFS had decided to appoint WTDs on absorption basis. [REDACTED], Director stated that it was curable in three ways: either [REDACTED] could have sought revised relieving letter without lien or MD&amp;CEO would have allowed him to join on lien or Board could have reversed its decision and restored the decision taken prior to approval of appointment of [REDACTED]</li> </ul>

S No of Report	Particulars	Management's Response
		<ul style="list-style-type: none"> <li>• One of the nominee Director stated that in case MD&amp;CEO would have allowed joining on lien, it would have been contempt of Board's approval. CMD(I/C) PTC stated that the fact that ██████████ had got relieving on lien basis came to knowledge only on 17th November when he first time shared his relieving letter with PTC HR. He never requested for waiver of lien condition and joined back ██████████ on 6th December, 2021.</li> <li>• As recorded in PTC Board minutes, the then Chairman, PFS and Mr. ██████████ had taken a decision based on a document which was not available, whereas the relieving letter without lien was required to substantiate his eligibility to join. His relieving without lien was not proved even till the date of PTC board meeting. Such a role and conduct of ex-Chairman, PFS being reason of his agitation shows weak corporate governance from side of ex-Chairman, PFS. The role and conduct of former IDs and Chairman of PFS also needs to be seen by PFS Board and required actions should be taken. It was opined that lack of governance displayed by the then Chairman, PFS should be included in the report.</li> <li>• As mentioned in sequence of events above by CNK, the Board of Directors in their meeting held on 12<sup>th</sup> November 2018, noted the minutes of 32<sup>nd</sup> and 33<sup>rd</sup> NRC meeting and <i>“with respect to the actions for filling up the position of Director (Finance) &amp; CFO, the various aspects were discussed by the Board including identification of the suitable candidate for the post and its requirement. After detailed discussions, the Board desired that the Nomination &amp; Remuneration Committee may consider to issue the advertisement for the position of Executive Director level / EVP and in order to attract good candidates a clause be inserted in the advertisement that based on her/his performance there exists possibility of further elevation to board level position.</i></li> <li>• The Board decided that in place of Director (Finance), the advertisement for the position of Executive Director level / EVP may be issued who can be later elevated to board level position. Thus, Board decided not to appoint Director (Finance).</li> <li>• The PFS's stand is also backed by an opinion provided by ASG.</li> <li>• <b>MD&amp;CEO, PFS was completely disempowered by the erstwhile Chairman / Board. MD&amp;CEO had no powers to decide on the appointments, transfers, promotions and postings at the level of</b></li> </ul>

S No of Report	Particulars	Management's Response
		<p><b>functional head and one level below. In other words, the MD&amp;CEO could not even appoint a Manager in PFS and even RBI, the regulator of NBFCs had raised concerns.</b></p> <ul style="list-style-type: none"> <li>• It may be mentioned that Nomination and Remuneration Committee of PFS, in its meeting held on 23<sup>rd</sup> December 2019, took the strange and unprecedented decision that all the HR matters of PFS shall be dealt with the approval of Director (HR), PTC, which included, matter related to appointments, transfers, postings, promotions etc. and internal communication to employee. PFS (HR) team was to assist Director (HR), PTC in all these matters.</li> <li>• Subsequently, in its meeting held on 27<sup>th</sup> January 2020, the NRC made certain amendments to above. However, MD&amp;CEO continued to be completely disempowered by the erstwhile Chairman / Board. MD&amp;CEO had no powers to decide on the appointments, transfers, promotions and postings at the level of functional head and one level below. In other words, the MD&amp;CEO could not even appoint a Manager in PFS.</li> <li>• This abnormal arrangement diminished the arm's length relationship between the holding company and its subsidiary.</li> <li>• RBI raised concern on arm's length relationship of Company with its Parent Company i.e. PTC India Limited in its inspection report and mentioned that Arm's length relationship with its parent company, PTC India Limited, was not ensured w.r.t the management of human resources.</li> <li>• RBI also raised this as a Supervisory Concern during its inspection for the year ended 31<sup>st</sup> March 2020 and directed that the company shall ensure arm's length relationship with its parent company, i.e. PTC India Limited, w.r.t the management of human resources.</li> <li>• The inspection report and supervisory concerns were raised by RBI vide its letters dated 12<sup>th</sup> May 2021 and 4<sup>th</sup> June 2021 respectively.</li> <li>• The above inspection reports and directions of RBI were placed before the Board of PFS, which regrettably Board did not comply inspite of being opined by MD&amp;CEO that Company should comply with RBI's observations / concerns.</li> <li>• The concerns raised by RBI were also reviewed by the Ministry of Power (MoP) which directed PTC and PFS to comply with RBI's report and recommendations to the satisfaction of RBI.</li> </ul>

S No of Report	Particulars	Management's Response
		<ul style="list-style-type: none"> <li>• MoP specifically directed reversing of decisions that impair proper Corporate Governance, maintenance of suitable arm's length distance between the two companies and immediately addressing the conflicts.</li> <li>• In blatant disregard to the supervisory concerns and inspection findings of RBI, and directives issued by MoP, the erstwhile and Board decided to entrust the entire process of appointment of Directors to HR of PTC India Limited.</li> <li>• From the above, it is clear that there was blatant disregard of regulatory directives and procedural compliances by HR PTC.</li> <li>• The then Non-Executive Chairman issued the appointment letter to ██████████ on 7<sup>th</sup> September 2021 even before the PFS Board accepted and approved the recommendations of N&amp;R Committee and Audit Committee and approved the appointment of ██████████ for the position of Director (Finance) &amp; CFO by PFS Board. The same is evident from the minutes of Board meeting held on 13<sup>th</sup> September 2021.</li> <li>• It is pertinent to mention that the Board authorised the then Non-Executive Chairman to take all actions relating to appointment of ██████████ and undue haste and coercive tactics were exercised to ensure the joining of ██████████ on 29<sup>th</sup> October 2021 without submission of required documents as stipulated in appointment letter signed by the then Chairman.</li> <li>• The joining process was led by the then Chairman and Sh. Rajiv Malhotra, HR PTC and it was closer to the last day of the then Chairman.</li> <li>• ██████████ submitted his joining report dated 29 October 2021. However, his Release order from ██████████ was shared for the first time by him only on 17 November 2021 through email and his copies of qualification certificates on 18 November 2021. As per offer of appointment dated 7 Sept 2021, he was required to provide the 'release order' and 'qualification certificates' at the time of joining.</li> <li>• The joining report was defective since the date of joining was mentioned as 29 September 2021.</li> <li>• ██████████ had retained lien on the post of Chief General Manager in ██████████ for a period upto 30 September 2023. This fact was not disclosed by ██████████ at the time of submission of his joining report. Also appointment letter was issued on absorption basis.</li> </ul>

S No of Report	Particulars	Management's Response
		<ul style="list-style-type: none"> <li>• It may also be noted that the guidelines of the Department of Public Enterprises (DPE) prohibit maintaining a lien when leaving a PSU and joining a private company</li> <li>• Being a PSU employee, ██████████ was not eligible to retain Lien while joining a private sector company. Thus, he retained a lien probably by misrepresentation to ██████████, a CPSU.</li> <li>• The minutes of the board meeting held on 13<sup>th</sup> September 2021 clearly indicate that hiring of candidates was to be on absorption basis only for Director level people and that PFS could not have overlooked any procedure in this regard. Therefore, ██████████ release on lien basis and maintaining lien till 30 Sept 2023 is contradictory to aforementioned board's decision of hiring candidate on absorption basis. His concealing this vital fact amounts to an act of fraud.</li> <li>• ██████████, HR Head PTC informed the Board in its meeting held on 13<sup>th</sup> September 2021 that ██████████ is joining on absorption basis. This was a <b>factually incorrect statement</b>. Board approved the appointment of WTDs based on this confirmation given to them. The letter of appointment was issued on absorption basis and it had no option of deputation/lien in any of its covenants.</li> <li>• It is pertinent to note that the erstwhile audit committee itself found that the experience of ██████████ is questionable as evident from the minutes of meetings of Audit Committee and Board held on 13<sup>th</sup> September 2021. <ul style="list-style-type: none"> <li>○ The Audit Committee members in the audit committee Chaired by ██████████ realised that Mr. Ratnesh did not possess NBFC experience. However, rather than making their own independent assessment, audit committee relied on the views of N&amp;R Committee. Instead, the audit committee members were of the view that ██████████ will be assisted by the team of experienced professionals in PFS who have good experience of NBFC sector and also have the guidance of MD&amp;CEO to work as Director (Finance) &amp; CFO. In effect, the Audit Committee recommended ██████████ be trained in his job as a Director, drawing a compensation of over one crore plus perks, be trained and taught his job by the MD.</li> </ul> </li> <li>• It is also to be noted that in accordance with the Master Directions issued by RBI, PFS is required to furnish to RBI, a certificate signed by the</li> </ul>

S No of Report	Particulars	Management's Response
		<p>Managing Director confirming that fit and proper criteria in selection of the Directors has been followed. Therefore, the MD&amp;CEO had a legal obligation to ensure that the selection of ██████████ was fit and proper, notwithstanding that the entire process was managed by PTC HR.</p> <ul style="list-style-type: none"> <li>• <b>Thus, it is clearly visible that CNK has presented its finding based on selective documents without giving any cognizance to the complete set of documents and information made available to them and they have made baseless allegations against the PFS management.</b></li> <li>• The management of PFS had no powers or role in the appointment of ██████████.</li> <li>• MD&amp;CEO had, in fact, no role in the appointment and joining of Mr. ██████████ PFS Board had authorized PTC HR to run entire recruitment process. ██████████ through email of 20<sup>th</sup> October, 2021 had informed NRC members that PTC HR will complete joining formalities. Thus, it is abundantly clear that PFS had no role to play till the joining formalities of ██████████ were completed by PTC HR and ██████████ had joined as Director after compliance of all statutory as well as other joining requirements. It was not in PFS's control to obtain Vigilance Clearance, an unconditional Release Letter, or the regulatory compliance from ██████████. Absent these and given ██████████ failure to execute necessary documents to furtherance of the decision of the Board to appoint him, there was nothing that PFS could have done to take steps to appoint him. Where the very appointment was incomplete, there was no question of facilitating his functioning. <b>PFS did not put the appointment of ██████████ on hold, as ██████████ himself did not complete the prerequisites for the joining.</b></li> <li>• <b>Thus, it is also to note that MD&amp;CEO of PFS was not involved in the process of recruitment of Directors in PFS from inviting the application to screening of applicants and finally in the selection of the applicants and thereafter, in the joining process.</b></li> <li>• In the sequence of events no. IV, CNK has quoted the decision of PFS board in which Board had desired that NRC to consider the advertisement for the post of ED / EVP for appointment who can be elevated to Board level position based on their performance at a later date. Thus, it was the PFS Board which had decided not to appoint Director Finance in November</li> </ul>



S No of Report	Particulars	Management's Response
		<p>2018 itself. This was immediately after [REDACTED] appointment as MD&amp;CEO on 3<sup>rd</sup> October 2018. It may be mentioned that the Director (Operations) position became vacant only in July 2021. Till then Company was functioning with Directors in accordance with the decision taken by Board in November 2018. It was only in March 2021, the Board decided to appoint Director Finance and Director Operations (who was going to superannuate in July 2021) and issue advertisement in this regard.</p> <ul style="list-style-type: none"> <li>• From this it is clear that management had no role to play in this matter. As regards, the points raised in Section E the PTC RMC has already given the factual position against the each of the items covered therein as annex 27 to the PTC RMC report which adequately proves that the opinion contrary to the PTC RMC report is not tenable. Further, the PTC RMC report has been adopted by the Board of PTC which has not found these points as tenable. Some of the important points of Annex-27 are mentioned hereunder: <ul style="list-style-type: none"> <li>○ [REDACTED] the then Independent Director in his email dated 16<sup>th</sup> June 2021 to Chairman, PFS had interalia mentioned that “the position of Director (Finance) had fallen vacant in 2018 and Board had directed in its meeting held on 18<sup>th</sup> November 2018 to initiate action. Subsequently, at the request of the management, flexibility was accorded by Board to recruit at the level of ED/EVP if warranted with the Head of Operations to be elevated later to Board position, if found suitable.” It means that flexibility was accorded by PFS Board to management, which envisaged to recruit at the level of ED/EVP to be later elevated to Director. This manner of succession planning was put in place with the consent of Board. Thus, the particular issue that management had failed to take positive action to fill the critical vacancy of Director (Finance) is not relevant. Another important fact being, the PFS Board in 2020 divested MD&amp;CEO from major Human Resource Powers and these were practically vested in PTC. This particular decision of PFS Board has been observed adversely by the Regulator, RBI in its inspection report. On 6<sup>th</sup> March 2021, the PFS Board had decided to call applications for D(F)&amp;CFO through open advertisement and responsibility for the recruitment was assigned to PTC HR and [REDACTED] was indicated as</li> </ul> </li> </ul>

S No of Report	Particulars	Management's Response
		<p>resource person. No positive action was taken by the PTC persons made responsible therefor for three months and suddenly NRC decided in July 2021 to call applications only from PTC group and promoters of PTC and [REDACTED] on a restricted process. It is noted that the responsibility for recruitment was not given to PFS HR or MD, PFS. The PFS Board entrusted the responsibility to PTC HR, to run recruitment process of two WTDs of PFS and the principle of maintaining arm's length relationship between PFS and PTC, which was pointed out by RBI, was violated.</p> <ul style="list-style-type: none"> <li>○ Minutes of meeting of interaction with [REDACTED] [REDACTED] are part of Report, which were finalised after issuing draft minutes, providing more than 7 days' time to members for comments. The comments received were considered and suitably incorporated. The finalised minutes were circulated to Members on 11<sup>th</sup> April 2022.</li> <li>○ RMC did not find anyone challenging the decision of Board and there is no statement available where Chairman or MD had concluded that any particular decision of Board suffered from irregularity etc., or either of them have stated that the decision would not be adhered to. Board had approved appointment of WTDs on absorption basis whereas [REDACTED] relieving letter from his employer was on lien basis contrary to the approval accorded by Board of PFS. Management actually adhered to and acted in accordance with the approval of PFS Board.</li> <li>○ RMC had never interacted with the then Chairman of NRC, as contended in Section E. RMC interacted with only one member of NRC [REDACTED], who was the then nominee Director of PTC on the Board of PFS. Other members of NRC had submitted his written brief, which has been annexed to RMC report.</li> <li>○ The final decision to appoint two WTDS was taken in 139<sup>th</sup> Board meeting after issue of appointment letters and acceptance thereof by the candidates. The recommendations of Audit Committee to appoint CFO were given on 13<sup>th</sup> September 2021. The information about appointment of WTDs was also furnished to the Stock exchange on 14<sup>th</sup> September, 2021 where the reference of BoD meeting dt 13<sup>th</sup> September, 2021 has only been made (139<sup>th</sup> BoD meeting).</li> </ul>

S No of Report	Particulars	Management's Response
		<ul style="list-style-type: none"> <li>○ It is seen from minutes of 139<sup>th</sup> Board meeting that after Chairman stated that the Board had given a unanimous decision in the selection of the candidates and further stated that, as suggested by the MD and CEO, both the candidates were joining on absorption basis, MD &amp; CEO expressed his reservations on selection and suitability of candidates and at the end of minutes, the decision of Board was recorded leaving MD &amp; CEO and it is recorded in the minutes of 139<sup>th</sup> Board meeting of PFS that “After discussions on the points raised by MD, the <b>rest of Board</b> accepted all the recommendations of the N&amp;R committee and of the Audit Committee (for ██████████ as Director Finance &amp; CFO) as mentioned hereunder and <b>approved the appointment of ██████████ Director (Finance) &amp; CFO and ██████████ as Director ( Operations) of the Company, on the terms of the appointment as per the recommendations of the N&amp;R Committee</b> for a period of five years or the date of superannuation (which at present is 62 years), whichever occurs earlier w.e.f. their respective dates of joining:-.....,” which was clearly not a unanimous decision. Rest of the Board leaving MD &amp; CEO had agreed with the decision for appointment. The reservations of MD&amp; CEO are recorded in the minutes in the paras preceding the above decision. Thus, it was a majority decision.</li> <li>○ ██████████ and ██████████ made contradictory statements.</li> <li>○ In the minutes of Board meeting held on 8<sup>th</sup> November 2021, which was chaired and finalised by ██████████ the then Independent Director, it is recorded that ‘█████████ <b>stated that it would be better to invite ██████████ for the meeting and ask him if he does not want to attend, he can ask for leave of absence.</b>’ So, this suggestion and initiative to ask ██████████ to take leave of absence had in fact come from an Independent Director ██████████</li> <li>○ However, it is important to see whether legally, ██████████ had been appointed director of company by 29<sup>th</sup> October 2021 or 8<sup>th</sup> November 2021 or 9<sup>th</sup> November 2021. Given the documents and evidences available, it had not happened.</li> </ul>

S No of Report	Particulars	Management's Response
		<ul style="list-style-type: none"> <li>○ ██████████ has accepted that he had returned all the documents except joining letter handed over by ██████████ to him on 29<sup>th</sup> October 2021. Since ██████████ was charged with responsibility to complete joining formalities, it was completely inappropriate act on his part to return documents to the candidate. Whereas basic documents like relieving letter and DIR-2 form were not taken by PTC HR, ██████████ declared that joining formalities were completed only on the basis of joining letter of ██████████ and appointment letter issued to ██████████. ██████████ had sent the joining letter of ██████████ to MD&amp; CEO PFS through email on 29<sup>th</sup> October 2021 with the request that hard copies of documents may be collected from PTCHR office. Later neither ██████████ collected various documents like relieving letter, DIR-2 Form, etc., from ██████████ nor ██████████ submitted them either electronically or in physical form.</li> <li>○ The then Chairman, PFS had not accepted the joining of Mr. ratnesh. He had instructed concerned officer to accept the joining in terms of 138<sup>th</sup> and 139<sup>th</sup> Board decision. No document was made available to committee to show that ██████████ got approval of Chairman to issue a notification that ██████████ had joined. Thus, the joining process was never completed and Chairman had not accepted the joining of ██████████, notwithstanding the fact that in terms of Company Act the appointment of ██████████ had not reached to finality till then.</li> <li>○ In today's digital age when any document can be easily and speedily submitted electronically, the claim or allegation that ██████████ or ██████████ tried to hand over some document to some person of PFS has no meaning.</li> <li>○ In accordance with already decided protocol, the joining formalities should have been completed by designated authority i.e., ED (HR) PTC, ██████████, and then office order issued that ██████████ had joined and thereafter ██████████ should have been guided to PFS office.</li> </ul>

S No of Report	Particulars	Management's Response
		<ul style="list-style-type: none"> <li>○ Accordingly, all the documents related to joining were to be collected by ██████████ not by any PFS executive as per already agreed protocol</li> <li>○ The role of MD&amp;CEO comes only after the joining formalities have been completed. Therefore, non-compliance was on the part of ED(HR) PTC.</li> <li>○ On 17<sup>th</sup> November 2021, for the first time, ██████████ his relieving letter to PTC HR through email. Thus, ██████████ acted on the basis of deficient documents and his action was irregular and faulty against rules, regulations and procedure of company. Any action taken in contravention of rules of company and prescribed in the appointment letter does not get validated merely by making statement that documents were present but it was not taken or submitted. Merely on the basis of statement made by certain individual that he had seen certain documents but not kept them in record does not mean that documents were submitted and available. They could have been collected in physical mode and kept in record and even electronic copy could have been obtained on 29<sup>th</sup> October, 2021 or thereafter to prove their existence and even ██████████ could have electronically submitted them on 29<sup>th</sup> October or a few days thereafter.</li> <li>○ It has been established that the action taken by ██████████ was not correct and ██████████ after taking over charge of CMD, PTC on 6<sup>th</sup> November, 2021 after noticing the gaps and deficiencies, initiated rectification of process and ██████████ submitted his relieving letter for the first time on 17<sup>th</sup> November 2021 through email, when PTC HR came to know that he was relieved on the basis of lien. It is clear that ██████████ did not disclose till 17<sup>th</sup> November 2021 that he was relieved by his employer on the basis of lien. Since appointment letter was issued on absorption basis and Board had approved the same, his joining effort was not in terms of appointment letter and approval of the Board. ██████████ never submitted any request to change the terms of his appointment on lien in place of absorption basis and he never submitted DIR-2 Form and he joined back ██████████ on 6<sup>th</sup> December 2021. There is no resignation letter</li> </ul>

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		<p>submitted by ██████████ to PFS before joining back ██████████. It simply means that ██████████ never joined PFS.</p> <ul style="list-style-type: none"> <li>○ In accordance with Company Act 2013, the appointment of any Director attains finality only when the potential director submits his consent in DIR-2 form and thereafter the company is supposed to submit such a consent to Registrar in DIR-12 form in 30 days. This is mandatory provision of the ACT.</li> <li>○ The deficiency that ██████████ did not submit DIR-2 Form and relieving letter from his employer is obvious. ██████████ had wrongly certified the completion of joining formalities based on two documents – one the joining letter of ██████████ and other appointment letter issued by PFS Chairman. In case any executive does something, which is deficient or erroneous, it does not make the process valid.</li> <li>○ The entire process of recruitment was actually run by PTC HR as per directions of PFS Board and therefore, PTC HR was custodian of all the information/ documents related with this recruitment process and as such, PFS could not have provided documents / information to ██████████ for process review. So, the matter related to PFS but process review was that of activities and process undertaken by PTC HR as per directions of PFS Board.</li> <li>○ Chairman, PFS had clarified during interaction that that during the meeting held on 9<sup>th</sup> November 2021, he as Chairman of PFS Board had informed to PFS Board that the process audit of the appointment of Whole Time Directors was proposed to be conducted through a third party, who can go deeper into details and thereafter this process review was commissioned. He had informed that this is though not recorded in Board minutes but was done with the knowledge of PFS Board.</li> <li>○ ██████████ had said during interaction that they have not passed judgement. However, in the 9<sup>th</sup> RMC meeting, ██████████ ID had observed that it cannot be believed that NRC did the selection without scoring, otherwise it would be a gross dereliction of their duties. It has been stated by ██████████ Ex- Director and the</li> </ul>

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		<p>then NRC member of PFS that no scoring sheet was used. Also, PTC HR has confirmed that no scoring sheet was used.</p> <ul style="list-style-type: none"> <li>○ On 20<sup>th</sup> January 2022, CMD PTC had informed all members of Board of PTC through email about the [REDACTED] report and enclosed a copy thereof for perusal of members. After [REDACTED] was engaged, the next Board meeting was held on 27.01.2022.</li> <li>○ After receipt of RBI Inspection Report and advice of RBI to have arm's length relationship between PTC and PFS, the PFS Board knowing fully well the objections/ reservations of regulator went ahead and entrusted the responsibility of undertaking recruitment process to PTC HR in violation of principle of arm's length relationship.</li> <li>○ [REDACTED] representative during interaction with RMC has stated that there were lot of gaps in the process and intention is that it should not happen in future.</li> </ul>

**F PTC RMC Report dated 23rd May 2022 with respect to appointment of ██████████ and other matters**

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



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

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

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

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

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

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

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

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



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

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

S No of Report	Particulars	Management's Response
		<p><i>and the joining cannot happen. Therefore, ██████████ never became director of the company in the eyes of law.</i></p>
	<p><b>The summary of key observations highlighted by ██████████ as extracted from Annexure 11 to PTC RMC report annexure are as follows</b></p> <ul style="list-style-type: none"> <li>• Irrelevant questioning on application joining;</li> <li>• He had resigned from his company position and came to PFS. He was treated badly; he was given appointment letter but not allowed to join;</li> <li>• ██████████ said he had given all relevant documents as available with him on the date of joining and who has further given it to whom, how can he know. Further, he was always requesting to the PTC &amp; PFS HR for pending documents;</li> <li>• Not issuing notice of meeting to be held on 8th November;</li> <li>• Postponement of board meeting from 8th November, 2021 to 9th November, 2021;</li> <li>• Received a phone call from MD of company telling him to take leave of absence for 9th November 2021;</li> <li>• Not allowing to join the company.</li> </ul>	<ul style="list-style-type: none"> <li>• CNK seems to have accepted the statement of ██████████ as correct and have made baseless views without providing any concrete evidence in support of the same. It is highly unethical and unprofessional to comment upon the integrity of Chairman PTC RMC (Independent Director) by quoting the questions as irrelevant.</li> <li>• The questions asked from ██████████ were about the issues involved at various stages in order to find out the facts and therefore CNK, seems to have erred and been partial in mentioning these as irrelevant.</li> <li>• ██████████ made false statements to RMC that he had given all relevant documents as available with him on the date of joining. In fact, he had concealed the relieving letter issued by NTPC and submitted it to PTC HR through email for the first time on 17<sup>th</sup> November 2021. His act of concealing the relieving letter was fraudulent since he had retained lien in NTPC and he was eligible to join the Company as the Board had appointed him on absorption basis. <b>It has been confirmed by CNK also that ██████████ was appointed on absorption basis only.</b></li> <li>• His statements were contradicted by ██████████ and other functionaries of the PTC HR. In fact, ██████████ and ██████████ connived to make ██████████ join PFS without submitting the relieving letter of NTPC which mentioned that ██████████ had retained lien in NTPC. However, they could not succeed in this fraudulent activity.</li> <li>• When ██████████ was asked did he join PFS, he did not say that he had joined PFS. He had made a false statement that he had received a phone call from MD of company telling him to take leave of absence for 9<sup>th</sup> November 2021. The independent directors ██████████ had suggested in the Board that ██████████ may told to take leave of absence. Neither MD made any such communication to ██████████ nor he instructed anybody to do so.</li> </ul>

S No of Report	Particulars	Management's Response
		<p>The allegations that ██████████ was not allowed to join the company is untrue and baseless which has been explained in several paragraphs.</p> <ul style="list-style-type: none"> <li>• It must be mentioned that Form DIR 2 is the responsibility of potential Director to submit Form DIR 2 before or at the time of reporting for joining the Company. ██████████, being a Senior responsible officer of ██████████, was expected to be aware of such basic rules and regulations of the Companies Act. Until and unless the Form DIR 2 is received from the potential director duly signed, no notice for attending board meeting can be issued to him nor he can be allowed to attend any board meeting as he is not eligible to act as a Director.</li> <li>• Despite being provide with all information and documents, CNK seems to have chosen to remain silent on the fraudulent conduct of ██████████ in concealing his relevant documents which has caused irreparable damage to the Company.</li> </ul>
	<p><b>CNK Observations on PTC RMC Report dated 23rd May 2022 with respect to appointment of ██████████ and other matters</b></p> <ul style="list-style-type: none"> <li>• In our view, the conclusions drawn in the above RMC report do not adequately address the concerns of the ex-independent directors and 2 members (Independent Directors) of PTC RMC who voted against the report as against the executive directors who voted in favour of the same. The report does not sufficiently address or justify the matters raised related to relieving of ██████████ and following governance procedures for the same;</li> <li>• It also seems that no serious efforts have been made to have discussions on this matter with ██████████ (after his joining back at ██████████) and record his version of the events;</li> <li>• As far as joining of ██████████ on lien or assignment was concerned, from the video recording of the 138th Board meeting held on 28th August 2021, it is clear that the Board was of the view that he should join on absorption not on deputation.</li> </ul>	<ul style="list-style-type: none"> <li>• PTC RMC report was considered and approved by PTC Board by majority vote. It is to be noted that decision of the Board is final once it is voted by the majority of the Board. This is the law of the land and we presume that CNK is aware of it.</li> <li>• CNK's observation that the conclusions drawn in the RMC report do not adequately address the concerns of the ex-independent directors and 2 members (Independent Directors) of PTC RMC and that the report does not sufficiently address or justify the matters raised related to relieving of ██████████ and following governance procedures for the same is factually incorrect as the RMC report is a detailed report covering all the aspects.</li> <li>• It must be noted that it was Board's decision that ██████████ should join on absorption basis and not merely a Board's view as expressed by CNK.</li> <li>• CNK has chosen on remain silent on ██████████ fraudulent conduct and concealing that he retained lien in ██████████ CNK has chosen to remain silent on the fact that ██████████ never submitted his consent to act a Director in Form DIR 2 as required under Companies Act.</li> </ul>

S No of Report	Particulars	Management's Response
		<ul style="list-style-type: none"> <li>• It is not within CNK's purview to comment upon the report of the RMC of PTC, an independent listed company, whose Board has accepted the report. Having been approved by the Board, this report is now final and CNK has no locus standi to comment upon its merits or demerits.</li> <li>• CNK seems to have not appropriately reviewed the minutes of PTC Board meeting as received from PTC and provided to them wherein detailed discussion on PTC RMC report is recorded.</li> <li>• One of the nominee Director had specifically asked in PTC Board meeting whether joining by ██████████ on lien basis instead of absorption basis was a curable act as the Board of PFS had decided to appoint WTDs on absorption basis. ██████████, Director stated that it was curable in three ways: either ██████████ could have sought revised relieving letter without lien or MD&amp;CEO would have allowed him to join on lien or Board could have reversed its decision and restored the decision taken prior to approval of appointment of ██████████</li> <li>• One of the nominee Director stated that in case MD&amp;CEO would have allowed joining on lien, it would have been contempt of Board's approval. CMD(I/C) PTC stated that the fact that ██████████ had got relieving on lien basis came to knowledge only on 17th November when he first time shared his relieving letter with PTC HR. He never requested for waiver of lien condition and joined back ██████████ on 6th December, 2021.</li> <li>• As recorded in PTC Board minutes, the then Chairman, PFS and ██████████ ██████████ had taken a decision based on a document which was not available, whereas the relieving letter without lien was required to substantiate his eligibility to join. His relieving without lien was not proved even till the date of PTC board meeting. Such a role and conduct of ex-Chairman, PFS being reason of his agitation shows weak corporate governance from side of ex-Chairman, PFS. The role and conduct of former IDs and Chairman of PFS also needs to be seen by PFS Board and required actions should be taken. He opined that lack of governance displayed by the then Chairman, PFS should be included in the report.</li> <li>• Thus, it is abundantly clear from the discussions in and the minutes of PTC Board which mention that the role and conduct of ex- Chairman, PFS being reason of his agitation shows weak corporate governance from side of ex-</li> </ul>

S No of Report	Particulars	Management's Response
		<p>Chairman, PFS. The role and conduct of former IDs and Chairman of PFS also needs to be seen by PFS Board and required actions should be taken.</p> <ul style="list-style-type: none"> <li>• The email dated 16<sup>th</sup> June, 2021 of ██████████ Ex ID to Chairman, inter alia, states that the position of Director (Finance) had fallen vacant in 2018 and Board had directed in its meeting held 18<sup>th</sup> November, 2018 to initiate action. Subsequently, at the request of management, flexibility was accorded by the Board to recruit at the level of EVP/ED if warranted with the Head of Operations to be elevated later to Board position, if found suitable. In December 2019, all powers of MD&amp;CEO were withdrawn as detailed herein. Thus it was Board's decision not to immediately appoint Director (Finance) and later, it was job of NRC and PTC HR to initiate process/recruit Director. MD&amp;CEO had no say or role in the matter. As such NRC initiated the process in March 2021. Facts remains that PFS had already advertised the post of Director (Finance) &amp; CFO. Thus allegation made about check and balances is not only untrue but also unfounded.</li> <li>• The entire process of appointment of ██████████ was handled by HR PTC as is evident from the minutes of meetings of NRC, Audit Committee and Board.</li> <li>• MD&amp;CEO, PFS had been completely disempowered by the erstwhile Chairman / Board. MD&amp;CEO had no powers to decide on the appointments, transfers, promotions and postings at the level of functional head and one level below. In other words, the MD&amp;CEO could not even appoint a Manager in PFS.</li> <li>• Therefore, PFS cannot be held liable for not communicating with ██████████, whose joining formalities were never completed and more so, after his re-joining ██████████.</li> <li>• It is also unfortunate that CNK has ignored completely the multiple email correspondences between PTC HR and ██████████ that were provided to them on receipt from PTC.</li> <li>• These emails clearly indicate the multiple lapses committed by ██████████ in completing the joining formalities.</li> <li>• As far as PFS is concerned, it has no locus standi to discuss with ██████████ as ██████████ never joined PFS nor was PFS involved in his selection. In case he had joined PFS, how could he have joined back ██████████. The fact is</li> </ul>

S No of Report	Particulars	Management's Response
		<p>that ██████ never became an employee or Director of PFS at any point of time either de facto or de jure.</p> <ul style="list-style-type: none"> <li>• It may also be noted that the guidelines of the Department of Public Enterprises (DPE) prohibit maintaining a lien when leaving a PSU and joining a private company</li> <li>• Being a PSU employee, ██████ was not eligible to retain Lien while joining a private sector company. Thus, he retained a lien probably by misrepresentation to ██████ a CPSU.</li> <li>• ██████ committed a fraud on PFS by misrepresenting and concealing the information of retaining lien in ██████.</li> <li>▪ ██████ did not join PFS Board and was not eligible to receive notices of Board meetings. The insistence of Ex Independent Directors to send him notices of board meetings and invites was patently incorrect and illegal.</li> </ul>

**G Overall CNK views regarding appointment of [REDACTED]**

S No of Report	Particulars	Management's Response
1.	<p>The vacancy in the position of Whole Time Director arose in 2018 on superannuation of [REDACTED] on 18th September 2018, from the post of Managing Director of the company and [REDACTED] appointed as MD &amp;CEO on 3rd October 2018. There was no Whole Time Director (Finance) since then</p>	<ul style="list-style-type: none"> <li>• The views of CNK are factually incorrect and baseless.</li> <li>• It seems CNK has not completely verified the minutes of meetings of Board and NRC.</li> <li>• [REDACTED] superannuated on 18<sup>th</sup> September 2018 and at that time <b>there were 2 Whole Time Directors in PFS.</b></li> <li>• [REDACTED] was appointed as MD&amp;CEO of PFS on 3<sup>rd</sup> October 2018. [REDACTED] continued to be Whole Time Director of PFS till his superannuation in July 2021.</li> <li>• As mentioned in sequence of events no. IV, the Board of Directors in their meeting held on 12<sup>th</sup> November 2018, noted the minutes of 32<sup>nd</sup> and 33<sup>rd</sup> NRC meeting and <i>“with respect to the actions for filling up the position of Director (Finance) &amp; CFO, the various aspects were discussed by the Board including identification of the suitable candidate for the post and its requirement. After detailed discussions, the Board desired that the Nomination &amp; Remuneration Committee may consider to issue the advertisement for the position of Executive Director level / EVP and in order to attract good candidates a clause be inserted in the advertisement that based on her/his performance there exists possibility of further elevation to board level position.”</i></li> <li>• Thus, it was Board’s decision not to appoint Whole-Time Director (Finance)</li> <li>• Thereafter, it was only in the board meeting held on 9<sup>th</sup> March 2021 that the Board agreed that advertisements for the post of Director (Finance) &amp; CFO and Director (Operations) be issued by 31<sup>st</sup> March 2021 since Director (Operations) will be superannuating in July 2021. The Board was also of the opinion that the same process may be followed for the selection as was done earlier in case of appointment of MD &amp;CEO and the recruitment process would be handled by a resource person from PTC, as was in case of MD &amp; CEO. [REDACTED] was identified as the resource person for the said job from PTC.</li> </ul>



S No of Report	Particulars	Management's Response
2.	It seems that there was no intention of the management to appoint Whole Time Director (Finance) as reflected from the following:	
	a) NRC recommendations and decisions were not followed or implementation thereof was delayed;	<ul style="list-style-type: none"> <li>• It is factually incorrect to say that NRC recommendations were not followed or implementation thereof was delayed by the management.</li> <li>• CNK has not quoted any instance of not following NRC's recommendations and Board decisions.</li> <li>• MD&amp;CEO, PFS had been completely disempowered by the erstwhile Chairman / Board. MD&amp;CEO had no powers to decide on the appointments, transfers, promotions and postings at the level of functional head and one level below. In other words, the MD&amp;CEO could not even appoint a Manager in PFS.</li> <li>• It may be mentioned that Nomination and Remuneration Committee of PFS, in its meeting held on 23<sup>rd</sup> December 2019, took the strange and unprecedented decision that all the HR matters of PFS shall be dealt with the approval of Director (HR), PTC, which included, matter related to appointments, transfers, postings, promotions etc. and internal communication to employee. PFS (HR) team was to assist Director (HR), PTC in all these matters.</li> <li>• Subsequently, in its meeting held on 27<sup>th</sup> January 2020, the NRC made certain amendments to above. However, MD&amp;CEO continued to be completely disempowered by the erstwhile Chairman / Board. MD&amp;CEO had no powers to decide on the appointments, transfers, promotions and postings at the level of functional head and one level below. In other words, the MD&amp;CEO could not even appoint a Manager in PFS.</li> <li>• This abnormal arrangement diminished the arm's length relationship between the holding company and its subsidiary.</li> <li>• RBI raised concern on arm's length relationship of Company with its Parent Company i.e. PTC India Limited in its inspection report and mentioned that Arm's length relationship with its parent company, PTC India Limited, was not ensured w.r.t the management of human resources.</li> </ul>

S No of Report	Particulars	Management's Response
		<ul style="list-style-type: none"> <li>• RBI also raised this as a Supervisory Concern during its inspection for the year ended 31<sup>st</sup> March 2020 and directed that the company shall ensure arm's length relationship with its parent company, i.e. PTC India Limited, w.r.t the management of human resources.</li> <li>• The inspection report and supervisory concerns were raised by RBI vide its letters dated 12<sup>th</sup> May 2021 and 4<sup>th</sup> June 2021 respectively.</li> <li>• The above inspection reports and directions of RBI were placed before the Board of PFS, which regrettably did not comply.</li> <li>• The concerns raised by RBI were also reviewed by the Ministry of Power (MoP) which directed PTC and PFS to comply with RBI's report and recommendations to the satisfaction of RBI.</li> <li>• MoP specifically directed reversing of decisions that impair proper Corporate Governance, maintenance of suitable arm's length distance between the two companies and immediately addressing the conflicts.</li> <li>• In blatant disregard to the supervisory concerns and inspection findings of RBI, and directives issued by MoP, the erstwhile and Board decided to entrust the entire process of appointment of Directors to HR of PTC India Limited.</li> <li>• From the above, it is clear that there was blatant disregard of regulatory directives and procedural compliances by PTC HR.</li> <li>• It is pertinent to mention that the Board authorised the then Non-Executive Chairman to take all actions relating to appointment of ■■■. ■■■ and undue haste was exercised to ensure the joining of ■■■ on 29th October 2021 without submission of required documents as stipulated in appointment letter signed by the then Chairman.</li> <li>• The joining process was led by the then Chairman and ■■■, PTC HR and it was closer to the last day of the then Chairman.</li> <li>• ■■■ submitted joining report dated 29 October 2021. However, his Release order from NTPC was shared by him for the first time only on 17 November 2021 through email and his copies of qualification certificates on 18 November 2021. As per offer of appointment dated 7 Sept 2021, he was required to provide the 'release order' and 'qualification certificates' at the time of joining.</li> </ul>

S No of Report	Particulars	Management's Response
		<ul style="list-style-type: none"> <li>• The joining report was defective since the date of joining was mentioned as 29 September 2021.</li> <li>• ██████████ had retained lien on the post of Chief General Manager in ██████████ for a period upto 30 September 2023. This fact was not disclosed by ██████████ at the time of submission of his joining report. Also appointment letter was issued on absorption basis.</li> <li>• It may also be noted that the guidelines of the Department of Public Enterprises (DPE) prohibit maintaining a lien when leaving a PSU and joining a private company</li> <li>• Being a PSU employee, ██████████ was not eligible to retain Lien while joining a private sector company. Thus, he retained a lien probably by misrepresentation to ██████████, a CPSU.</li> <li>• The minutes of the board meeting held on 13<sup>th</sup> September 2021 clearly indicate that hiring of candidates was to be on absorption basis only for Director level people and that PFS should not overlook any procedure in this regard. Therefore, ██████████ release on lien basis and maintaining lien till 30 Sept 2023 is contradictory to aforementioned board's decision of hiring candidate on absorption basis. His concealing this vital fact amounts to an act of fraud.</li> <li>• ██████████, HR Head PTC informed the Board in its meeting held on 13<sup>th</sup> September 2021 that ██████████ is joining on absorption basis. This was a <b>factually incorrect statement</b>. Board approved the appointment of WTDs based on this confirmation given to them. The letter of appointment was issued on absorption basis and it had no option of deputation/lien in any of its covenants.</li> <li>• Thus, it is clearly visible that CNK has presented its finding without giving cognizance to the complete set of documents and information made available to them and they have made baseless allegations against the PFS management.</li> <li>• The management of PFS had no powers or role in the appointment of ██████████</li> <li>• MD&amp;CEO had, in fact, no role in the appointment and joining of ██████████ ██████████ PFS Board had authorized PTC HR to run entire recruitment process. ██████████ through email of 20<sup>th</sup> October, 2021 had</li> </ul>

S No of Report	Particulars	Management's Response
		<p>informed NRC members that PTC HR will complete joining formalities. Till then PFS had no role to play. It was not in their or PFS's control to obtain Vigilance Clearance, an unconditional Release Letter, or the regulatory compliance from [REDACTED]. Absent these and given [REDACTED] failure to execute necessary documents to furtherance of the decision of the Board to appoint him, there was nothing that PFS could have done to take steps to appoint him.</p> <ul style="list-style-type: none"> <li>• NRC &amp; Board in its meeting held on 16<sup>th</sup> March, 2021 had decided that entire recruitment process was to be handled by PTC HR and PFS was given no responsibility except to intimate its input of job description etc. In case there was a delay, it was caused by the resource person of PTC who took no action till next meeting of NRC of 21<sup>st</sup> June, 2021. As such blaming PFS is not only incorrect but also biased as selective information has been used and material relevant facts have been conveniently ignored by CNK</li> </ul>
	<p>b) As can be seen from Exhibit A, [REDACTED] was satisfying all the parameters amongst other candidates;</p>	<ul style="list-style-type: none"> <li>• The observation of CNK is completely baseless. It seems CNK has not evaluated the parameters independently.</li> <li>• [REDACTED] <i>ab-initio</i> did not satisfy the key requirement of joining on absorption basis as per the Board's decision. He did not provide his relieving letter to conceal this fact from PFS Board and PFS HR. This was purported to be done with the intention of making him join PFS in a hurried manner, short circuiting the laid down norms and compliances. [REDACTED] being a public servant, it would be appropriate to refer this matter and his conduct to the Central Vigilance Commission (CVC).</li> <li>• Nomination and Remuneration Committee decided to give options to candidates who had applied the post of Director (Finance) for being considered for the post of Director (Operations) also at the time of interactions. It must be noted that such changes are not done post receipt of applications as otherwise, the response of candidates could be different.</li> <li>• The entire process of appointment of [REDACTED] was handled by HR PTC India Limited</li> </ul>

S No of Report	Particulars	Management's Response
		<ul style="list-style-type: none"> <li>• The entire issue is also irrelevant now as he re-joined ██████ in December 2021.</li> <li>• ██████ retained a Lien on his job at ██████ and was not appointed by Board on absorption basis, which was one of the important parameters not satisfied by him.</li> <li>• He did not comply the requirements as stipulated by the Board and mentioned in the appointment letter.</li> <li>• Further ██████ concealed the relieving letter issued by ██████ at the time of submitting joining report on 28.10.2021 and held it back thereafter also for long time and made it available only on 17<sup>th</sup> November, 2021 through email.</li> <li>• It is pertinent to note that the erstwhile audit committee itself found that the experience of ██████ is questionable as evident from the minutes of meetings of Audit Committee and Board held on 13<sup>th</sup> September 2021. <ul style="list-style-type: none"> <li>○ The Audit Committee members in the audit committee Chaired by ██████ realised that ██████ did not possess NBFC experience. However, rather than making their own independent assessment, audit committee relied on the views of N&amp;R Committee. Instead, the audit committee members were of the view that ██████ will be assisted by the team of experienced professionals in PFS who have good experience of NBFC sector and also have the guidance of MD&amp;CEO to work as Director (Finance) &amp; CFO. In effect, the Audit Committee recommended that ██████ be trained in his job as a Director, drawing a compensation of over one crore plus perks, be trained and taught his job by the MD.</li> </ul> </li> <li>• It is also to be noted that in accordance with the Master Directions issued by RBI, PFS is required to furnish to RBI, a certificate signed by the Managing Director confirming that fit and proper criteria in selection of the Directors has been followed. Therefore, the MD&amp;CEO had a legal obligation to ensure that the selection of ██████ was fit and proper, notwithstanding that the entire process was managed by PTC HR.</li> </ul>

S No of Report	Particulars	Management's Response
	<p>c) The objections raised by the MD&amp;CEO on the appointment of ██████████ which included that he did not have the requisite experience of 'NBFCs' was already considered by the NRC and the Board while accepting his appointment;</p>	<ul style="list-style-type: none"> <li>• CNK has been selective in presenting facts and they have failed to mention the extracts of audit committee meeting held on 13<sup>th</sup> September 2021. The extract of audit committee is given below.</li> <li>• It is pertinent to note that the erstwhile audit committee itself found that the experience of ██████████ is questionable as evident from the minutes of meetings of Audit Committee and Board held on 13<sup>th</sup> September 2021. <ul style="list-style-type: none"> <li>○ The Audit Committee members in the audit committee Chaired by ██████████ realised that ██████████ does not possess NBFC experience. However, rather than making their own independent assessment, audit committee relied on the views of N&amp;R Committee. Instead, the audit committee members were of the view that ██████████ will be assisted by the team of experienced professionals in PFS who have good experience of NBFC sector and also have the guidance of MD&amp;CEO to work as Director (Finance) &amp; CFO.</li> </ul> </li> <li>• Role of MD&amp;CEO was limited to providing certain requirements regarding the position, based on functional requirements of the Company, which were not considered by NRC and Board.</li> <li>• ██████████ did not have requisite experience of NBFC.</li> </ul>
	<p>d) It may not be out of place to mention here that the current MD&amp;CEO also did not have the requisite experience at the time of initial appointment as Director Finance &amp; CFO in the company; Refer Extract of 137th Board Meeting given in Exhibit AR</p>	<ul style="list-style-type: none"> <li>• CNK's comments are out of place and irrelevant to the scope of forensic audit. These are highly unprofessional, unethical, malicious and petulant comments upon the experience of current MD&amp;CEO at the time of his appointment as Director Finance and CFO in the year 2012</li> <li>• It seems CNK is unaware and has not been able to comprehend the market dynamics and changes in regulatory and business regime pertaining to NBFCs in last 10 years.</li> <li>• It may be mentioned that it has been norm to appoint the Board members through open advertisement and the same could have been adopted in this case also which the Board and NRC had initially decided in the month of March 2021 and June 2021.</li> </ul>

S No of Report	Particulars	Management's Response
		<ul style="list-style-type: none"> <li>• It is important to be cognizant of the fact that the regulatory regime for NBFCs is constantly changing and RBI is very closely monitoring and supervising the functioning of NBFCs.</li> <li>• Since the identification of stressed loan accounts in banking sector, reference of largest exposures to NCLT under IBC norms, failure and collapse of ██████████, RBI has been constantly and frequently tightening the regulatory regime / norms.</li> <li>• Subsequent to 2012, RBI has announced unprecedented regulatory and supervisory measures such as flexible restructuring of loans, strategic debt restructuring, special norms for infrastructure projects and their restructuring, resolution as per circular dated 7th June 2019, resolutions and measures taken during COVID times, risk based internal audit mechanism, introduction of scale based regulation, liquidity management framework, RBI's carve outs in respect of Ind AS norms for NBFCs etc.</li> <li>• All the above measures are only a part of measures introduced since 2012, hence, it is not only improper but also illogical and irrational to compare the skill set required currently with that in 2012, needless to mention the unprofessional and unethical nature of such views.</li> </ul>
	<p>e) Even after appointment of ██████████, technical points were sought to be highlighted (without informing the Board);</p>	<ul style="list-style-type: none"> <li>• ██████████ points were not technical. These relate to the compliance with applicable laws, terms and conditions of the appointment letter and approvals accorded by Board.</li> <li>• ██████████ submitted joining vide his letter viz., Joining report dated 29 October 2021. However, his Release order from ██████████ was shared by him for the first time only on 17 November 2021 by email and his copies of qualification certificates on 18 November 2021. As per offer of appointment dated 7 Sept 2021, he was required to provide the 'release order' and 'qualification certificates' at the time of joining.</li> <li>• The joining report was defective since the date of joining was mentioned as 29 September 2021.</li> <li>• ██████████ had retained lien on the post of Chief General Manager in ██████████ for a period upto 30 September 2023. This fact was not disclosed by ██████████ at the time of submission of his joining report. The fact</li> </ul>

S No of Report	Particulars	Management's Response
		<p>that he did not disclose retention of Lien and concealed the relieving letter issued by ██████ raises serious concerns regarding his integrity and ethics.</p> <ul style="list-style-type: none"> <li>• Being a PSU employee, ██████ was not eligible to retain Lien while joining a private sector company and also the appointment letter was issued on absorption basis.</li> <li>• It may also be noted that the guidelines of the Department of Public Enterprises (DPE) prohibit maintaining a lien when leaving a PSU and joining a private company.</li> <li>• Thus, he appears to have misrepresented to ██████, a CPSU for retaining lien which was not allowable in terms of his appointment letter. ██████, being a ██████ employee (a CPSU Company) was governed by misconduct rules and is in serious violation of code of conduct applicable to government employee. It is a clear cut case of misrepresentation, deliberately hiding crucial information resulting into the matter being blown out of proportion by the Ex Independent Directors of PFS, thereby causing serious damages, loss of reputation and goodwill of the Company, inviting regulatory concerns into corporate governance. The acts and conduct of ██████ present a fit case for reference to CVC.</li> <li>• The minutes of the board meeting held on 13th September 2021 clearly indicate that hiring of candidates was to be on absorption basis only for Director level people and that PFS should not overlook any procedure in this regard. Therefore, ██████ release on lien basis and maintaining lien till 30 Sept 2023 is contradictory to aforementioned board's decision of hiring candidate on absorption basis. His concealing this vital fact amounts to an act of fraud.</li> <li>• ██████, HR Head PTC informed the Board in its meeting held on 13th September 2021 that ██████ is joining on absorption basis. This was a factually incorrect statement. Board approved the appointment of WTDs based on this confirmation given to them. The letter of appointment was issued on absorption basis and it had no option of deputation/lien in any of its covenants.</li> <li>• Thus, it is clearly visible that CNK has presented its finding without fully verifying the complete set of documents and information made available</li> </ul>



S No of Report	Particulars	Management's Response
		<p>to them and they have made baseless allegations against the PFS management.</p> <ul style="list-style-type: none"> <li>The direction of Board were actually implemented in letter and spirit. There was no request from ██████████ to allow him deviation from his appointment letter and therefore the comments of CNK are irrelevant and without any basis.</li> </ul>
	<p>f) ██████████ was not given any co-operation nor allowed to function in his new role (by not sending him notices of meetings which he was entitled to attend);</p>	<ul style="list-style-type: none"> <li>CNK's views are beyond facts.</li> <li>On the contrary, ██████████ conduct raises doubts about his integrity and ethics.</li> <li><b>It is pertinent to mention that the allegations that ██████████ was not given any co-operation are merely based on hearsay. Nobody including the Ex-Independent Directors, ██████████, the then Chairman PFS and CNK have provided any documentary evidence regarding the said allegations.</b></li> <li>██████████ joining formalities were never complete, he did not join PFS and hence, this observation becomes baseless.</li> <li>██████████ submitted joining report dated 29 October 2021. However, his Release order from ██████████ was shared by him for the first time only on 17 November 2021 through email and his copies of qualification certificates on 18 November 2021. As per offer of appointment dated 7 Sept 2021, he was required to provide the 'release order' and 'qualification certificates' at the time of joining.</li> <li>The joining report was defective since the date of joining was mentioned as 29 September 2021.</li> <li>██████████ through his email dated 20th October, 2021 had informed NRC members that PTC HR will complete joining formalities. Till then PFS had no role to play. It was not in their or PFS's control to obtain Vigilance Clearance, an unconditional Release Letter, or the regulatory compliance from ██████████. Absent these and given ██████████'s failure to execute necessary documents to furtherance of the decision of the Board to appoint him, there was nothing that PFS could have done to take steps to facilitate him. Since he did not join PFS, there</li> </ul>

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		<p>was no question of facilitating his functioning. PFS did not put the appointment of ██████ on hold, as ██████ himself did not complete the prerequisites for the joining.</p> <ul style="list-style-type: none"> <li>• The invites for the Board meetings are sent in accordance with the provisions of Companies Act and the rules made thereunder.</li> <li>• In accordance with the Companies Act and rules made thereunder, appointment of ██████ would have been complete only if he had submitted his consent in DIR-2 form, which he never did. ██████ never became Director of PFS in the eyes of law and therefore no notice of Board could have been sent to him without violating law. Further in case, it is assumed that he had joined PFS and was a Director of PFS, why did he not resign from PFS and joined back ██████ without getting relieved from PFS?</li> </ul>
	<p>g) It appeared that he was forced to seek Leave of Absence for the meeting of 9th November 2021 where the company has rightfully issued the notice to him</p>	<ul style="list-style-type: none"> <li>• It is clearly recorded in the minutes of Board meeting held on 8<sup>th</sup> November 2021 approved by ██████ that ██████ stated that it would be better to invite ██████ for the meeting and ask him if he does not want to attend, he can ask for leave of absence.</li> <li>• ██████ asked leave of absence from meeting held on 9<sup>th</sup> November 2021.</li> <li>• It is clearly recorded in the minutes of Board meeting held on 9<sup>th</sup> November 2021 that on request of Independent Directors, invite was sent to ██████.</li> <li>• Thus, ██████ was invited only at the instance of Ex Independent Directors which was clearly a violation of law since ██████ was not eligible to receive the notice of Board meetings and participate therein as Director of PFS.</li> </ul>
	<p>h) Delayed information to the Board about his rejoining ██████;</p>	<ul style="list-style-type: none"> <li>• CNK's views are based on incomplete review of information</li> <li>• PTC HR handled the entire appointment process, in violation of RBI's directive on maintaining arm's length between PTC and PFS. It is</li> </ul>

S No of Report	Particulars	Management's Response
		<p>understood that ██████ again concealed the fact of his re-joining NTPC, which is unbecoming of a public servant.</p> <ul style="list-style-type: none"> <li>• PTC HR requested ██████ HR vide email dated 23<sup>rd</sup> December 2021 regarding the status of Mr Ratnesh</li> <li>• ██████ informed PTC HR vide email dated 24<sup>th</sup> December 2021 that ██████ has rejoined ██████ on 6<sup>th</sup> December 2021.</li> <li>• PTC HR communicated the same to ██████ Ex Company Secretary, PFS on 3<sup>rd</sup> January 2022, who in turn informed all the Ex Independent Directors on 4<sup>th</sup> January 2022.</li> <li>• It may be noted that there had not been any Board meeting since 09.11.2021, and discussion on this issue was proposed at the next board meeting, as borne out from PFS' email dated 15.01.2022, along with a detailed note on this issue and all correspondence sought by the Resigning IDs in this regard (as made available by PTC India Limited).</li> </ul>
	<p>i) Not informing the stock exchanges / SEBI (as per SEBI regulations) about the position remaining vacant;</p>	<ul style="list-style-type: none"> <li>• CNK's observation is baseless and based on lack of understanding of applicable SEBI regulations</li> <li>• PFS informed BSE and NSE on 14th September 2021 that the Board of Directors of the Company in their meeting held on 13th September 2021 has approved the appointment of ██████ as Whole Time Director designated as Director (Finance) &amp; CFO w.e.f. date of his joining.</li> <li>• ██████ appointment would have been effective when he joined PFS after completing all the necessary documentation and stipulated process</li> <li>• ██████ never joined PFS and never submitted his consent in DIR-2 form.</li> <li>• Hence, the requirement of informing the stock exchanges never arose.</li> </ul>
	<p>j) No serious effort has been made subsequently to fill the vacancy;</p>	<ul style="list-style-type: none"> <li>• CNK's observation is factually incorrect</li> <li>• After reconstitution of the Nomination and Remuneration Committee, restoration of necessary authority and approval of NRC and Board, the</li> </ul>

S No of Report	Particulars	Management's Response
		<p>Company has already advertised vacant position for Executive Director in Credit Appraisal function and Director (Finance) &amp; CFO</p> <ul style="list-style-type: none"> <li>• ED monitoring has already been appointed in July 2022.</li> </ul>
	<p>k) Incomplete and factually wrong replies given to SEBI resulting in SEBI vide email dated 02nd March 2022 communicating that the explanations given by the company are not satisfactory.</p>	<ul style="list-style-type: none"> <li>• CNK's observation is false, malicious and speculative statement.</li> <li>• CNK has failed to examine and review the detailed reply submitted by the Company to SEBI. The replies given have to be read as a whole.</li> <li>• CNK has not provided any evidence based on which they feel that the Company gave incomplete and factually wrong replies to SEBI</li> <li>• It is also important to note that SEBI also did not give any basis / instance for it being unsatisfactory.</li> <li>• Therefore, it is incorrect to say that Company gave an incomplete and factually wrong replies to SEBI.</li> </ul>
3	<p>It seems that the management ensured that the position of Whole Time Director (Finance) remained vacant and thwarted efforts to fill in the vacancy.</p>	<p>In this regard, it is submitted as under:</p> <ul style="list-style-type: none"> <li>• The allegations raised by CNK that management ensured that the position of Whole Time Director (Finance) remained vacant and thwarted efforts to fill in the vacancy are baseless and without merit as already explained in various paragraphs of PFS response above.</li> <li>• On the contrary, CNK's findings are without giving cognizance to the documents / information provided to them by PFS and evaluation of the facts.</li> <li>• It is purely speculative, highly inappropriate and unprofessional to allege that the management ensured that the position of Whole Time Director (Finance) remained vacant and thwarted efforts to fill in the vacancy.</li> <li>• As mentioned in sequence of events above by CNK, the Board of Directors in their meeting held on 12<sup>th</sup> November 2018, noted the minutes of 32<sup>nd</sup> and 33<sup>rd</sup> NRC meeting and "with respect to the actions for filling up the position of Director (Finance) &amp; CFO, the various aspects were discussed by the Board including identification of the suitable candidate for the post and its requirement. After detailed discussions, the Board desired that the Nomination &amp; Remuneration Committee may consider to</li> </ul>

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		<p><i>issue the advertisement for the position of Executive Director level / EVP and in order to attract good candidates a clause be inserted in the advertisement that based on her/his performance there exists possibility of further elevation to board level position.”</i></p> <ul style="list-style-type: none"> <li>• As mentioned in the above resolution of the Board meeting held on 12<sup>th</sup> November 2018, the Board decided that in place of Director (Finance), the advertisement for the position of Executive Director level / EVP may be issued who can be later elevated to board level position.</li> <li>• Thus, Board decided not to appoint Director (Finance).</li> <li>• The conduct and fraudulent acts of ██████████ have already explained in great details at various places in PFS' response in this report.</li> <li>• <b>MD&amp;CEO, PFS was completely disempowered by the erstwhile Chairman / Board. MD&amp;CEO had no powers to decide on the appointments, transfers, promotions and postings at the level of functional head and one level below. In other words, the MD&amp;CEO could not even appoint a Manager in PFS and even RBI, the regulator of NBFCs had raised concerns.</b></li> <li>• It may be mentioned that Nomination and Remuneration Committee of PFS, in its meeting held on 23<sup>rd</sup> December 2019, took the strange and unprecedented decision that all the HR matters of PFS shall be dealt with the approval of Director (HR), PTC, which included, matter related to appointments, transfers, postings, promotions etc. and internal communication to employee. PFS (HR) team was to assist Director (HR), PTC in all these matters.</li> <li>• Subsequently, in its meeting held on 27<sup>th</sup> January 2020, the NRC made certain amendments to above. However, MD&amp;CEO continued to be completely disempowered by the erstwhile Chairman / Board. MD&amp;CEO had no powers to decide on the appointments, transfers, promotions and postings at the level of functional head and one level below. In other words, the MD&amp;CEO could not even appoint a Manager in PFS.</li> <li>• This abnormal arrangement diminished the arm's length relationship between the holding company and its subsidiary.</li> <li>• RBI raised concern on arm's length relationship of Company with its Parent Company i.e. PTC India Limited in its inspection report and mentioned that Arm's length relationship with its parent company, PTC</li> </ul>

S No of Report	Particulars	Management's Response
		<p>India Limited, was not ensured w.r.t the management of human resources.</p> <ul style="list-style-type: none"> <li>• RBI also raised this as a Supervisory Concern during its inspection for the year ended 31<sup>st</sup> March 2020 and directed that the company shall ensure arm's length relationship with its parent company, i.e. PTC India Limited, w.r.t the management of human resources.</li> <li>• The inspection report and supervisory concerns were raised by RBI vide its letters dated 12<sup>th</sup> May 2021 and 4<sup>th</sup> June 2021 respectively.</li> <li>• The above inspection reports and directions of RBI were placed before the Board of PFS, which regrettably did not comply.</li> <li>• The concerns raised by RBI were also reviewed by the Ministry of Power (MoP) which directed PTC and PFS to comply with RBI's report and recommendations to the satisfaction of RBI.</li> <li>• MoP specifically directed reversing of decisions that impair proper Corporate Governance, maintenance of suitable arm's length distance between the two companies and immediately addressing the conflicts.</li> <li>• In blatant disregard to the supervisory concerns and inspection findings of RBI, and directives issued by MoP, the erstwhile and Board decided to entrust the entire process of appointment of Directors to HR of PTC India Limited.</li> <li>• From the above, it is clear that there was blatant disregard of regulatory directives and procedural compliances by HR PTC.</li> <li>• The then Non-Executive Chairman issued the appointment letter to ██████████ on 7<sup>th</sup> September 2021 even before the PFS Board accepted and approved the recommendations of N&amp;R Committee and Audit Committee and approved the appointment of ██████████ for the position of Director (Finance) &amp; CFO by PFS Board. The same is evident from the minutes of Board meeting held on 13<sup>th</sup> September 2021.</li> <li>• It is pertinent to mention that the Board authorised the then Non-Executive Chairman to take all actions relating to appointment of ██████████ and undue haste was exercised to ensure the joining of ██████████ on 29<sup>th</sup> October 2021 without submission of required documents as stipulated in appointment letter signed by the then Chairman.</li> </ul>

S No of Report	Particulars	Management's Response
		<ul style="list-style-type: none"> <li>• The joining process was led by the then Chairman and ██████████, HR PTC and it was closer to the last day of the then Chairman.</li> <li>• ██████████ submitted joining confirmation vide his letter viz., Joining report dated 29 October 2021. However, his Release order from ██████████ was shared by him only on 17 November 2021 through email and his copies of qualification certificates on 18 November 2021. As per offer of appointment dated 7 Sept 2021, he was required to provide the 'release order' and 'qualification certificates' at the time of joining.</li> <li>• The joining report was defective since the date of joining was mentioned as 29 September 2021.</li> <li>• ██████████ had retained lien on the post of Chief General Manager in ██████████ for a period upto 30 September 2023. This fact was not disclosed by ██████████ at the time of submission of his joining report. Also appointment letter was issued on absorption basis.</li> <li>• It may also be noted that the guidelines of the Department of Public Enterprises (DPE) prohibit maintaining a lien when leaving a PSU and joining a private company</li> <li>• Being a PSU employee ██████████ was not eligible to retain Lien while joining a private sector company. Thus, he retained a lien probably by misrepresentation to ██████████, a CPSU.</li> <li>• The minutes of the board meeting held on 13<sup>th</sup> September 2021 clearly indicate that hiring of candidates was to be on absorption basis only for Director level people and that PFS should not overlook any procedure in this regard. Therefore, ██████████ release on lien basis and maintaining lien till 30 Sept 2023 is contradictory to aforementioned board's decision of hiring candidate on absorption basis. His concealing this vital fact amounts to an act of fraud.</li> <li>• ██████████, HR Head PTC informed the Board in its meeting held on 13<sup>th</sup> September 2021 that ██████████ is joining on absorption basis. This was a <b>factually incorrect statement</b>. Board approved the appointment of WTDs based on this confirmation given to them. The letter of appointment was issued on absorption basis and it had no option of deputation/lien in any of its covenants.</li> </ul>

S No of Report	Particulars	Management's Response
		<ul style="list-style-type: none"> <li>• It is pertinent to note that the erstwhile audit committee itself found that the experience of ██████████ is questionable as evident from the minutes of meetings of Audit Committee and Board held on 13<sup>th</sup> September 2021. <ul style="list-style-type: none"> <li>○ The Audit Committee members in the audit committee Chaired by ██████████ realised that ██████████ did not possess NBFC experience. However, rather than making their own independent assessment, audit committee relied on the views of N&amp;R Committee. Instead, the audit committee members were of the view that ██████████ will be assisted by the team of experienced professionals in PFS who have good experience of NBFC sector and also have the guidance of MD&amp;CEO to work as Director (Finance) &amp; CFO. In effect, the Audit Committee recommended that ██████████ ██████████ be trained in his job as a Director, drawing a compensation of over one crore plus perks, be trained and taught his job by the MD.</li> </ul> </li> <li>• It is also to be noted that in accordance with the Master Directions issued by RBI, PFS is required to furnish to RBI, a certificate signed by the Managing Director confirming that fit and proper criteria in selection of the Directors has been followed. Therefore, the MD&amp;CEO had a legal obligation to ensure that the selection of ██████████ was fit and proper, notwithstanding that the entire process was managed by PTC HR.</li> </ul> <p><b>Thus, it is clearly visible that CNK has presented its finding without fully verifying the complete set of documents and information made available to them and they have made baseless allegations against the PFS management.</b></p>
4	As also can be seen from our Draft Report on the Loan Accounts (Annexure VI), there are several procedural and other irregularities for the sanction and disbursement of these Loans. There is every possibility that these irregularities would have been noticed or highlighted by the new appointee or in any case it would have put in place an additional level/s of checks and balances.	<ul style="list-style-type: none"> <li>• <b>These comments are highly hypothetical and baseless.</b></li> <li>• PFS has provided its response on CNK's allegations in draft report on loan accounts at relevant places.</li> <li>• It must be noted that ██████████ conduct is itself questionable, unethical and casts serious aspersions on his integrity. He himself committed a fraud by concealing his relieving letter and thereafter, by quietly re-joining ██████████.</li> </ul>



<b>S No of Report</b>	<b>Particulars</b>	<b>Management's Response</b>
		<ul style="list-style-type: none"> <li>• After reconstitution of the Nomination and Remuneration Committee, restoration of necessary authority and approval of NRC and Board, the Company has already advertised vacant position for Executive Director in Credit Appraisal function and Director (Finance) &amp; CFO</li> <li>• ED monitoring has already been appointed in July 2022.</li> <li>• The response on loan accounts is provided separately on CNK's observations which have not found any material weakness. These comments by CNK are in extremely poor taste and highly unprofessional.</li> </ul>

**PFS Management Response on CNK Final Forensic  
Audit Report on**

**Corporate Governance**

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

	Particulars	Management's Response
VIII	<p>While issuing the draft report and final report, the responses received from PTC India Financial Services Limited (hereinafter referred to as management / PFS / Company) were considered, Changes, as required, have been incorporated for the management responses in this report.</p> <p>It maybe pertinent to point out that many of the responses of the management (for which, external professional assistance was sought without our approval by sharing our preliminary findings / draft report with them which we consider highly unprofessional) were repetitive, critical, and harping on the point that the verification was beyond scope or beyond the period covered in the Engagement Letter (EL). Our view in the matter is that though an initial period was mentioned in the EL, we have requested for documents for the earlier / later period/s and have included our findings on the same to the extent these documents were made available.</p>	<ul style="list-style-type: none"> <li>• PFS prepared a detailed response to each of CNK's preliminary observations, clarifying the numerous factual and conceptual errors as well as refuting the vague and unsubstantiated comments. The repetition was necessitated because multiple observations of CNK had similar/identical infirmities and required corrections/clarification/contextualization.</li> <li>• PFS is an independent company and reserve the right to appoint any firm or consultant to assist it. PFS appointed the forensic team of █████ which is a globally reputed consulting firm and the leading forensic auditor in India. PFS engaged █████ to review PFS's responses and provide an independent view on CNK's observations and PFS's responses. Accordingly, █████ gave their comments after reviewing the PFS responses along with all supporting documents.</li> <li>• There is no restriction on PFS in engaging any external professional.</li> <li>• It is important to mention that PFS provided its response on the draft report. However, CNK has deleted the PFS' response from the main report and have incorporated the same as an Annexure in the final report. While doing so, they have chosen to omit their observation corresponding to the PFS response and have given the reference number only instead. CNK has also not included many crucial facts provided to them by PFS in order to complete the inputs which were important to make conclusions. Thus, they have used selective information and many vital information have been omitted.</li> <li>• CNK had asked for documents and has made observations on the events which happened beyond the review period, which was unnecessary and needlessly delayed the submission of the final report.</li> <li>• It is emphatically stated that <b>CNK has not been able to raise any Corporate Governance issues as per the agreed scope of work</b>. As per the agreed scope of work in engagement letter, <b>CNK was required</b> <ul style="list-style-type: none"> <li>○ <i>“to review electronically stored information including email communications and documentation in relation to the loan facilities to ascertain any non-disclosure of relevant information (including</i></li> </ul> </li> </ul>

	Particulars	Management's Response
		<p><i>information which is incorrect on financial reporting, loan recovery process and in relation to any fraud established through forensic audit report on any particular account) to the audit committee / Board which will have a material impact.”</i></p> <ul style="list-style-type: none"> <li>○ <i>“Assess and report about implications of such missing information, if any identified, on recovery process and financial reporting of the Company”</i></li> <li>○ <i>“to ascertain the veracity of the issues raised by the Independent Directors of the Company in resignation letter/s dated 19th January 2022 having material impact on the company”.</i></li> </ul> <ul style="list-style-type: none"> <li>• Further, “Material Impact” means any event which result in material adverse impact on financial position on the accounts of PFS and performed with sole motive of malafide intention / fraud wherein any such critical information was not disclosed to Audit Committee or Board and is in contravention of PFS policies or directions of the Board or statutory requirement, having significant impact on decision making related to such project /proposal”.</li> <li>• Many of the observations made by CNK are a mere repetition of the issues raised by Ex Independent Directors without any substantiation with facts, which was required to be done by them as per the terms of engagement. The Corporate Governance matters regarding the loan accounts are identical to the ones made in their draft report on loan accounts dated 24<sup>th</sup> October 2022. The other observations relate to operational business matters and cannot be classified as corporate governance matters, particularly since there is no factual substantiation of those observations. Moreover, in several instances, CNK has been selective in presenting or highlighting facts. They have also commented on decisions/actions of that are well beyond the audit period stipulated in the Engagement Letter.</li> <li>• While CNK has commented on the selection of ██████████ as WTD in the draft report, it has completely omitted the fact that the appointment was contrary to the industry best practices and in fact the attempted joining of ██████████ was a fraud on the Company: ██████████ deliberately did not present his relieving letter from ██████████ in which he was relieved on lien and not absorption as per the eligibility requirement. ██████████, who handled the entire selection, also gave a false declaration to the Board that he had come on absorption. All these and other irregularities were pointed</li> </ul>

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

## A Methodology of CNK

S No	Particulars	Management's Response
1.	<p><b>Review of 'pst' File of Ex Company Secretary and MD &amp; CEO (as provided by PFS Team)</b></p> <p>Though 'pst' files of both email ids being used were provided (as informed all mails from one id were auto forwarded to other), inspite of multiple requests, PFS team has not provided us the confirmation for entire sharing / access of emails for both the email ids of MD&amp;CEO. We have relied upon information provided to us and the mail confirmation that mails are auto forwarded. Hence, our comments are based on the verification of pst file/s made available. Also, an official from PFS was constantly sitting when the CS came which was very intimidating to the team.</p>	<ul style="list-style-type: none"> <li>• The note mentioned by CNK is factually incorrect and misleading</li> <li>• PFS team has provided the 'pst' file of both the email IDs of MD&amp;CEO and Ex Company Secretary</li> <li>• PFS also provided a signed declaration by the entire forensic audit team confirmation the all relevant documents, records, information, loan files, agendas, reports, PST file including emails have been provided to CNK for their audit purposes.</li> <li>• PFS team organised two meetings of CNK team with Ex Company Secretary in which PFS official were mere spectators since the meetings were co-ordinated by PFS. PFS did not intimate anything to Ex-CS or CNK officials during the said meeting. Rather CNK team provided the access of PFS laptops / system available with CNK for audit purposes to Ex Company Secretary without informing PFS or seeking approval of the same from PFS, which is a significant breach of confidentiality of information clause as per engagement letter. It must be noted that CNK team also sent email to RBI providing PFS' information to RBI without seeking PFS' approval or informing PFS about the same.</li> <li>• Thus, CNK seems to be making a made false narrative that no confirmation has been made available by PFS for entire sharing / access of the emails for both the email IDs of MD&amp;CEO.</li> </ul>
2.	<p>Review of points highlighted by the current Independent Directors in the PTC RMC Report dated 23rd May 2022</p>	<ul style="list-style-type: none"> <li>• It must be noted that the PTC RMC report was discussed in PTC Board meeting and not PFS Board meeting. The points highlighted by current independent directors are in their capacity as Directors of PTC India Limited and not as Directors of PFS as seems to be contention of CNK. Further, all the IDs of PFS were not part of PTC RMC. It was expected that a forensic auditor would at least verify elementary facts before making such comments.</li> <li>• It is evident from CNK's report that CNK has considered only the points highlighted by [REDACTED] which are only a part of the report and not the entire report.</li> <li>• CNK has ignored the conclusions and full and final findings of the PTC RMC report which was adopted and approved by PTC Board and provided by PFS to CNK as received from PTC.</li> </ul>

<b>S No</b>	<b>Particulars</b>	<b>Management's Response</b>
		<ul style="list-style-type: none"><li>• It is important to mention that under the law and Constitution, the resolution passed by the majority alone is considered as the view of the Board. Hence emphasizing them, to the exclusion of the majority view approved after a due vote, exhibits an ignorance of law.</li></ul>

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

S No	Particulars	Management's Response
1.	Issues in respect of appointment of Mr. Ratnesh as Whole-Time Director. (We have also simultaneously issued our separate report on the same)	<ul style="list-style-type: none"> <li>• PFS has provided its detailed response on the report in respect of appointment of [REDACTED]. The following response must be read in conjunction with those responses provided by PFS.</li> <li>• The appointment of [REDACTED] as Director (Finance) &amp; CFO <b>does not have any material impact on the accounts of PFS.</b></li> <li>• It may be mentioned that Nomination and Remuneration Committee of PFS, in its meeting held on 23rd December 2019, took the strange and unprecedented decision that all the HR matters of PFS shall be dealt with the approval of Director (HR), PTC, which included, matter related to appointments, transfers, postings, promotions etc. and internal communication to employee. PFS (HR) team was to assist Director (HR), PTC in all these matters. This decision disempowered the MD &amp; CEO and HR department of PFS.</li> <li>• The <b>process of appointment of [REDACTED] was handled by PTC HR led by [REDACTED], the then Chairman.</b></li> <li>• The entire process of appointment of [REDACTED] has been independently audited in detail by [REDACTED] which submitted its report to PTC India Limited. The report severely indicts the erstwhile NRC of PFS and PTC HR for various serious acts of omission and commission. This report has also been sent to the regulators.</li> <li>• The attempted joining of [REDACTED] was bad in law and process. [REDACTED] committed a fraud on Company by concealing material information that he had retained lien in [REDACTED] for completion of his joining formalities. [REDACTED] Head of PTC HR made a false declaration to the Board that Mr. Ratnesh is joining on absorption basis.</li> <li>• The PTC Board commissioned an enquiry by its RMC into the issues raised by the resigning Independent Directors of PFS, which included the appointment of [REDACTED]. The PTC RMC report also severely indicted the PTC HR for various serious acts of omission and commission. <b>This report of PTC RMC has been considered in detail by PTC Board and accepted.</b></li> <li>• It may be pointed out that both [REDACTED] report as well as PTC RMC report have been submitted to the regulators.</li> </ul>



S No	Particulars	Management's Response
		<ul style="list-style-type: none"> <li>• It may be mentioned that ever since the powers pertaining to HR function were restored to PFS management, PFS management with approval of NRC and Board has appointed one Executive Director in the Company and has already advertised vacant positions for Executive Director in Credit Appraisal function and Director (Finance) &amp; CFO. These posts will be filled in due course after following a transparent Board approved process.</li> <li>• The sequence of event indicating the role of ██████████ in recruitment process for Director in PFS along with his email dated 20<sup>th</sup> October 2021 stating that PTC HR will ensure completion of their joining formalities and then handover the process of their orientation is placed at the end.</li> <li>• It is emphatically reiterated that as per the decision of the previous NRC, the entire process of recruitment of Directors was run by PTC HR. PFS had no role. It may also be noted that this decision of the previous NRC to take away the HR powers of the MD and transferring them to PTC HR was not in line with RBI's supervisory concerns regarding arm's length relationship between PFS and PTC. The entire process and procedure of ██████████ selection has been examined, discussed and deliberated in PTC RMC's enquiry. The Report of PTC RMC has been subsequently discussed in detail and approved, by majority vote, in the PTC Board and therefore all issues have been addressed. ██████████ is still working with NTPC. PFS has now notified post for Director (Finance). Further, this matter has no bearing on the financials of PFS.</li> <li>• PFS had no role in the appointment of ██████████. The corporate governance concerns have been reported by RBI in its supervisory concerns dated 4<sup>th</sup> June 2021 as mentioned below.</li> </ul> <p>“<b>Management</b> – The company shall ensure arm's length relationship with its parent company, i.e. PTC India Limited, w.r.t the management of human resources. It was observed that the independent functioning of the CRO was not ensured in terms of regulatory requirements regarding roles, responsibilities and reporting of the CRO of the company. Further, independent functioning of the Business Committee, which took important decisions relating to your company, was also not ensured. The independence of the functioning of the Business Committee could not be ascertained as the Chairman of the Committee was also the Whole Time Director on PTC India</p>

S No	Particulars	Management's Response
		<p>Limited'</p> <ul style="list-style-type: none"> <li>Therefore, there is no corporate governance issue on the part of PFS management.</li> </ul>
2.	<p>Issues regarding ██████████ loan. (We have also simultaneously issued our separate report on the same)</p>	<ul style="list-style-type: none"> <li>PFS has provided its response on the report in respect of ██████ Loan. The following response must be read in conjunction with those responses provided by PFS.</li> <li>It is important to mention that Ex Independent Directors have not taken up ██████ matter as a governance issue in their resignation letter. There is no issue of Corporate Governance on the said loan matter.</li> <li>Critical information have been presented to the Board without any significant delay</li> <li>The forensic report for ██████ loan was inconclusive and no fraud was evident from the report. Further legal opinion given by ██████████ Senior Advocate Supreme Court and ██████████, erstwhile Chief Justice of India also corroborated the same.</li> <li>There has been no delay in pursuing in legal options and preferring OTS and instant case the OTS offer is 72% of the principal amount which is substantially on the higher side as compared to the industry's experience of recovery in similar stalled thermal projects. The OTS proposal is under discussion with the Board for last 2 years.</li> <li>The Board of PFS had constituted a Committee of 2 Independent Directors and the said Committee in its report submitted in April 2021 has interalia recorded, <b>“However, from an overall point of view, on close scrutiny of the various notes and documents, and direct interaction with PFS officers, the committee is of the view that the non-disclosure and non-compliance may have not been deliberate or malafide.”</b> Thus, Committee had already certified that there was no malafide or deliberate intention. This report was accepted by the Board on 17th May 2021.</li> <li>After these views of committee of two Independent Directors constituted by Board and acceptance of their report by the Board, the issue whether there was any delay has already been examined and accepted by the Board.</li> <li>There is no evidence stating that there was delay in supply of information by the management has been made by Independent Directors in their said report</li> </ul>

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		<p>too. This matter was discussed in the Board meeting held on 17th May 2021. Nowhere in the minutes, it has been mentioned that there was delay in furnishing information to the committee of Independent Directors. IDs also did not give cognizance to this particular issue during their meeting held on 5th October 2021, though it was already brought to their knowledge in the meeting of 5th August, 2021. The Independent Directors in their minutes of meeting held on 5th October, 2021 had certified the flow of information to Board or committees as excellent.</p> <ul style="list-style-type: none"> <li>• PFS's various efforts to resolve the accounts have been informed to the Board, RMC and Audit Committee from time to time. Further, decisions of Board, RMC and Audit Committee have been implemented in this case. The loan account has also been reported to RBI as suspected fraud.</li> <li>• 100% provisioning has been made in respect of the said loan account, hence there is no financial impact on the Company's books and /or malafide intention on part of management as all Critical information have been presented to the Board without any significant delay</li> </ul>
3.	Unilateral change in conditions of loan, without prior approval of the Board (we have also simultaneously issued our separate report on the loan accounts)	<ul style="list-style-type: none"> <li>• PFS has provided its detailed response on the report in respect of loan accounts.</li> <li>• There are no issues of Corporate Governance on the matters as the pre disbursement condition stipulated by Board has been captured as Pre disbursement condition in the loan facility agreement and these were complied by Borrower</li> <li>• Required Action Taken Reports on the matter has been reported to the Board subsequently held in May 2022. The same has been confirmed by the internal auditor and the legal counsel.</li> </ul>
4.	<p>No action on corporate governance issues highlighted by ■■■■■■■■■■, ex-Chairman in the 137th Board Meeting held on 5th August 2021;</p> <p><b>CNK Observation on Summary of Governance issues highlighted by 3 ex-Independent Directors in their resignation letter dated 19th January 2022</b></p>	

S No	Particulars	Management's Response
	<p>The concerns mentioned by the Independent Directors and in their resignation letters and ██████████, Ex-chairman in 137th Board meeting dated 05 August 2021 are serious corporate governance issues. It seems that the management was unilaterally taking major decisions in the functioning of the company and bypassing the DOA as well the directions of the Board. The same can also be corroborated from our report on the same. The Board has not concluded that matter in the meeting after hearing to MD&amp;CEO as it is clear from the conclusion of the minutes is mentioned as under:</p> <p>“The Chairman reiterated that it is now upto the Board to decide further course of action on these and other matters of this nature, and the Board may deliberate on the issues in this or any future meeting of the Board.”</p> <p>It is evident from the above minutes that the Board/ was not satisfied with the replies of MD &amp; CEO.</p>	<ul style="list-style-type: none"> <li>• The concerns mentioned by ██████████, the then Chairman are given below with our response on the same.</li> <li>• The comments made by CNK team are factually incorrect, baseless and misleading. No instance of any corporate governance issues on part of PFS management has been provided by CNK.</li> <li>• CNK team has also not reported any instance of violation of Delegation of Authority by the PFS management.</li> <li>• The concerns of Ex-Chairman PFS were responded by MD&amp;CEO in the same meeting and the said responses are recorded in the minutes approved by ██████████ himself being the then Chairman of PFS Board.</li> <li>• Those matters were never raised in any subsequent Board meeting by any Director and thus, were concluded.</li> <li>• The concerns mentioned by Ex-Independent Directors in their resignation letters and ██████████, Ex- chairman in 137th Board meeting dated 05 August 2021 are baseless and factually incorrect.</li> <li>• In fact, the Independent Directors in their meeting held on 05.10.2021, rated the management with “<b>an excellent</b>” rating for issue of quality, quantity and timelines of flow of information between the company and Board that is necessary for the Board/ Committees to function effectively.</li> <li>• The para (iii) of the resignation letter of Ex Independent Directors under the heading “No action on Corporate Governance issues”, they have mentioned only the issues highlighted by ██████████, the Ex Chairman of PFS in the board meeting held on 5<sup>th</sup> August 2021 and not any other issue.</li> <li>• It is reiterated that the alleged issues pertaining to corporate governance alleged by ██████████, ex- Chairperson, are some trivial operational issues and were duly and satisfactorily replied to/dealt with at the same meeting. The matters mentioned by the then Chairman seem to be a response to RBI’s observations on non-maintenance of arm’s length between PTC and PFS on HR matters. The reason for the response was understood when the Chairman mentioned that the RBI report should have been given to him separately since now the matters pertaining to conduct and conflicts of PTC’s nominee Directors on the Board of PFS were brought out in PFS Board.</li> <li>• It is important to mention that while CNK has highlighted the concerns of the then Chairman, however, they have chosen to omit the responses</li> </ul>

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		<p>provided in the same meeting which is recorded in the minutes of the meetings. They have also omitted to mention that at the very same meeting (which was held on 05.08.2021), the Board approved the Annual Report for FY 2020-21. It confirmed the fulfilment of the all the corporate governance requirements without any reservation. It may be noted that [REDACTED] [REDACTED] did not record any reservations in this regard. Minutes of this meeting were duly noted and confirmed at the following meeting of the board, without any reservation by any board member including [REDACTED] [REDACTED]. A Practicing Company Secretary has also certified this position.</p> <ul style="list-style-type: none"> <li>The responses referred above that were provided by the MD&amp;CEO in the same meeting, which are recorded in the minutes of the meetings are reproduced below:</li> </ul> <p><i>“MD &amp; CEO informed the Board that he would like to give his point-wise answer to these points. On the issue of data supply from PFS to PTC, primarily it was with relation to the divestment process and initially there were issues which were resolved and data outflow was happening well and whatever was required for carrying out of due diligence, that data has been provided to the satisfaction of the PTC team. He further stated that a fairly good job was done by PFS team despite the team size being small and within constraints, but they delivered with extra work. Sometimes the team had worked late night/ overnight.</i></p> <p><i>He further informed the Board that as far as presentation to RMC of PTC goes, he was asked by Chairman, RMC of PTC to make a presentation and he made a presentation. With respect to the point that the presentation was changed, he mentioned that it was incorrect. He further stated that as the copy of the presentation was already available with PTC, there may have been a line which was at variance with what he spoke during the presentation. Since, the copy of the presentation was later asked from PFS afresh, out of 35 slides used during the presentation based on the actual presentation, a minor modification was done in one of the slides to capture the point made in the actual presentation which was in line with his statement made during the presentation to PTC's RMC. RMC minutes of PTC could be checked if required. This had been also clarified by him in the earlier board meeting.</i></p>

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

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

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



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

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

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

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

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

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

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

## D CNK Observations regarding the Corporate Governance

S No	Particulars	Management's Response
1.a	<p>Policy regarding Loan documentation not routed through legal functional head</p> <p>Background</p> <ul style="list-style-type: none"> <li>▪ 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;</li> <li>▪ 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&amp;CEO stated that a senior officer was required in the Legal Department, and he would discuss the same with Nominee Director of PTC separately."</li> <li>▪ In our understanding, the definition of the functional head given in the policy of delegation of power approved by the Board is as under:</li> </ul>	<ul style="list-style-type: none"> <li>• In accordance with the approved organization structure of the Company, the Ex Company Secretary was neither functional head nor administrative head of the legal department. The understanding of Sh. Deepak Amitabh, the then Chairman, was incorrect.</li> <li>• CNK has itself confirmed in the observation that the Head of Department is Whole-Time Directors.</li> <li>• As per Delegation of Power of PFS, M4 level officer i.e. Whole Time Director is the head of the department. Further, as per HR Office order No. 6/2018, the legal department, inter-alia, was allocated to Director (Operations).</li> <li>• Therefore, the functional and administrative heads in PFS are at the level of M4 and accordingly, Director (Operations) was the functional and administrative head for the legal function. Accordingly, all legal files were routed through Director Operations.</li> <li>• Any practice of routing the loan document/ security creation files through Company Secretary cannot be considered as per the Board approved delegation of power.</li> <li>• As per the Board minutes and also confirmed by CNK team, the Board had expressed its views that all the matters related to legal may be handled by the Company Secretary. This was <b>neither a direction nor a decision of the Board.</b></li> <li>• After the Board expressed its views, it is recorded that MD&amp;CEO had stated in the same meeting that he would discuss the matter with nominee director of PTC separately. Accordingly, the matter was discussed by MD&amp;CEO with the nominee director.</li> <li>• MD&amp;CEO informed that there was an informal arrangement since long, by which [REDACTED] the then Company Secretary was looking informally at the legal files. There cannot be an informal arrangement.</li> </ul>



S No	Particulars		Management's Response
1.	Functional Head	<p>Function Head of respective unit responsible for working of unit under the supervision and control of the Head of Department.</p> <p>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)</p>	<ul style="list-style-type: none"> <li>• ██████████, Independent Director mentioned that there should be one Head of Legal and anybody handling legal matters should report to Head of Legal. It is re-iterated that ██████████, Director Operations was the Head of Legal and ██████████ was reporting to him for litigation matters and ██████████ was reporting to him for loan documentation.</li> <li>• MD&amp;CEO informed that he will speak with Nominee Director of PTC and ██████████, the then Chairman confirmed that we are only suggesting and ultimately, the choice is yours.</li> <li>• Accordingly, this is not a corporate governance matter since <ul style="list-style-type: none"> <li>○ ██████████ – Director Operations was Head of Legal at that time</li> <li>○ Chairman confirmed that he was only making a suggestion and final choice will be of MD&amp;CEO.</li> </ul> </li> <li>• The comments made by CNK team are factually incorrect and there were no violations of Board's directives. It is inappropriate on part of CNK to abet on the informal arrangement of routing files.</li> <li>• It may be mentioned that the Board's view that the Company Secretary is also the Head of Legal Department is incorrect. The Delegation of Power approved by Board and also confirmed by CNK clearly states that Head of Department are the Whole-Time Directors. Ex Company Secretary was not the Whole-Time Director.</li> </ul>
2.	Head of the	Whole-Time Directors	
3	MD & CEO	Managing Director & Chief Executive Officer	
4	M4	Whole Time Director	
5	M3	Officers falling under Grades G 18, G19, G 20 and G 21	
6	M2	Officers falling under Grades G 15, G 16 and G 17	
<p>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 &amp; Head Legal.</p> <p><b>CNK Comments</b> 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 &amp; CEO. As per DOA, security confirmation is to be given by the functional head (who was Company Secretary &amp; 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</p>			

S No	Particulars	Management's Response
	<p>given in 129th Board Meeting.</p> <p>The Board minutes were very clear that the Board desired that legal files to be routed through the Company Secretary &amp; Head Legal</p>	
<p><b>1.b</b></p>	<p><b>Alteration in documents</b></p> <p>On 19th February 2021, a draft response to the query raised by the committee of two independent directors of NSL was prepared and addressed to Mrs. Pravin Tripathi for her email dated 19th February 2021 where she raised queries and concerns and asked for clarifications. An internal note for the submission of documents to the committee was put up for approval of competent authority by the nodal officer and it should be signed by the legal head of the company.</p> <p><b>CNK Comments</b></p> <p><b>As per the copy of the note provided to us, it seems that the name of company secretary was subsequently removed.</b></p>	<ul style="list-style-type: none"> <li>• CNK has itself confirmed that the Head of Department is Whole-Time Directors.</li> <li>• As already clarified in response to observation D(1)(a) above, as per Delegation of Power of PFS, M4 level officer i.e. Whole Time Director is the head of the department. Further, as per HR Office order No. 6/2018, the legal department, inter-alia, was allocated to Director (Operations).</li> <li>• Therefore, the functional and administrative heads in PFS are at the level of M4 and accordingly, Director (Operations) was the functional and administrative head for the legal function. Accordingly, all legal files were routed through Director Operations.</li> <li>• The internal note was routed through Director (Operation) who was also Legal Head at that point of time before putting up to MD &amp; CEO. Thus, the internal note was signed by the Legal Head and there was no requirement of submission of same through Ex Company Secretary.</li> <li>• There was no requirement for signing of the internal note by Ex Company Secretary</li> <li>• Further, as per CNK comment that “<i>it seems that the name of company secretary was subsequently removed</i>”, it is not clear from where this inference is being drawn. CNK has perhaps not understood the Delegation of Power not are they sure about their comments made in the final report. CNK has not provided any evidence regarding the comments made.</li> </ul>
<p><b>1.c</b></p>	<p><b>Minutes of Committee of Directors for Loan Recovery (CDL) not presented to the Board</b></p> <ul style="list-style-type: none"> <li>▪ Committee of Directors for Loan Recovery (CDL) is an internal committee of the company and all the crucial details regarding</li> </ul>	<ul style="list-style-type: none"> <li>• The CNK comments are not based on facts of the matter and hence, opinionated. CNK has commented</li> </ul>

S No	Particulars	Management's Response
	<p>the Loans recovery, Stress Loan Accounts, EWS loan accounts, NPA which contains status of loan accounts and corrective steps are discussed;</p> <ul style="list-style-type: none"> <li>▪ During our audit period i.e., from April 2019 to March 2022, 22 CDL Meetings were held and minutes recorded but the management had not shared any details to the Board regarding the discussions held in CDL meetings.</li> </ul> <p><b>CNK Comments</b></p> <ul style="list-style-type: none"> <li>▪ 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;</li> <li>▪ 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.</li> </ul>	<p><i>“We believe that presenting the same to be Board would have given better insights to the Board on the loan recovery process”</i></p> <ul style="list-style-type: none"> <li>• The Committee of Directors for Loan Recovery (CDL) is an internal committee of the Company to look into the accounts which are stressed and to decide further course of action. There is neither any requirement as per Delegation of Power, any policy nor any directive from the Board of Directors or any of its sub Committee or from regulator to present the minutes of meetings of such internal committee to the Board.</li> <li>• It is important to mention that the information of stress loans, EWS loans, NPAs (based on the discussions held in CDL meetings) is presented to audit committee, RMC and Board on a quarterly basis. CNK has chosen to remain silent and inform that the agendas on such loans are presented to audit committee, RMC and Board and these were made available to CNK team</li> <li>• The agenda items and matters discussed in such internal committee meetings are the prerogative of such committee. Accordingly, CNK's comments that no 'action taken report' on discussion of the previous meeting was placed to the CDL are irrelevant and out of context and based on CNK's seemingly limited understanding of the policies and procedures followed in the Company.</li> </ul>
1.d	<p><b>Debt Service Reserve Account (DSRA) invoked without permission of co lender</b></p> <ul style="list-style-type: none"> <li>• It was observed PFS has withdrawn funds from DSRA FD to settle the over- dues and the same would be replenished later;</li> <li>• In the case of Essel Urja Ltd, the Board in its 127th Board Meeting dated 23rd June 2020 had specifically enquired whether the approval of co- lender was obtained before the extraction of funds from DSRA of ██████████ 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</li> </ul>	<ul style="list-style-type: none"> <li>• The statement at D(1)(d) is factually incorrect and it is pertinent to mention that PFS invoked DSRA pertaining to its share only and thus have not drawn the portion of co-lender, which was clearly stated in the ATR submitted in 128<sup>th</sup> Board Meeting. “██████████, PFS is lead with effective sanction of Rs 254 crores (share ~ 82%) and co-lender PFC's sanction is Rs 56 crores (share ~ 18%)”</li> <li>• Post directives of the PFS Board and as matter of prudence, the same was informed to the co-lender vide email dated 1<sup>st</sup> August 2020 and the same was informed to the Board in the ATR furnished in the 128<sup>th</sup> BoD meeting held on 4<sup>th</sup> August 2020. However, no reply/ response from the co-lender was</li> </ul>

S No	Particulars	Management's Response
	<p>actions shall also be taken accordingly, and status will be informed to the Board in next meeting</p> <ul style="list-style-type: none"> <li>In 128th Board Meeting dated 4th August 2020, the Board was informed about the action taken with respect to extraction of funds from DSRA of [REDACTED]. On enquiry about the requirement of consortium agreement, the Board was informed that as per the terms of the loan agreement, prior approval of the co-lender was required, while in the instant case PFS had informed subsequently to the co-lender. The Board also enquired about the response of the co-lender on the intimation sent by the Company. The Board was informed that reply of the PFC is yet to be received. The Board desired the response of co-lender shall also be placed before the Board. The Board further guided that it may be ensured that in future any such actions shall be taken on the lines of the consortium agreements only.</li> </ul> <p><b>CNK Comments</b></p> <p>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.</p>	<p>received and no adverse steps were taken by the co-lender. The Board noted the status of DSRA replenishment from the cash flow of the project and no responses from co lender received. Based on the deliberation, Board advised that such action should not be repeated and the Company has abided by the Board's advice. Subsequently, the loan account was prepaid on 5<sup>th</sup> October 2020. Refer the discussions in the board meeting audio recordings between 42.58 minutes to 54.53 minutes.</p>
1.e	<p><b>Issues related to Asset Liability Management Committee (ALCO) agenda notes and approved minutes</b></p> <ul style="list-style-type: none"> <li>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;</li> <li>In our verification, it was observed that during FY 2021-22,</li> </ul>	<ul style="list-style-type: none"> <li>The comments made by CNK team are factually incorrect. The company takes all ALM related matters very seriously which can be verified from the fact that ALM returns prepared and filed with RBI within due date, i.e. 10<sup>th</sup> of next month. There was enough liquidity as per the ALM statements and the liquidity position was comfortable, accordingly, the meetings were scheduled as per the availability of all committee members.</li> </ul>

S No	Particulars	Management's Response
	<p>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&amp;CEO;</p> <ul style="list-style-type: none"> <li>▪ Though requested, the relevant signed minutes were not made available to us for our review.</li> </ul> <p><b>CNK Comments</b></p> <p>The company does not seem to have taken the functioning of the ALCO Committee very seriously and consider its recommendations for disbursements. To illustrate, it was observed in the ALCO meeting held on 30th March 2022 that when disbursement was being made through utilization of HQLA and not from utilization of sanctioned limits of banks and financial institutions, there was no appropriate intimation to the Board.</p>	<ul style="list-style-type: none"> <li>• It is pertinent to mention that during the forensic audit period, there was worldwide COVID 19 pandemic and lockdowns. The key officers involved in the process were also affected (concerned officer was hospitalized for several months). Despite the challenges, the company, with the dedication and commitments of its employees, not only ensured comfortable ALM position and enough liquidity but also ensured all related regulatory compliances and filing of returns.</li> <li>• The minutes of meetings of Asset Liability Management Committee (ALCO) are maintained electronically. All the minutes requested have been duly provided to forensic auditor.</li> <li>• The company has improved the process whereas the minutes of any ALCO Committee meeting is considered in next ALCO committee meeting. Thus now, as per the process, all the minutes are duly considered and approved.</li> <li>• The reporting of minutes of ALCO meetings in a quarter is done to RMC (the sub Committee of the Board) in its meeting after the end of the quarter as required by the applicable norms.</li> <li>• After the resignation of Ex Independent Directors in January 2022, the Board of the Company was re-constituted on 30<sup>th</sup> March 2022 and thereafter RMC was constituted on 16<sup>th</sup> July 2022. Therefore, quarterly RMC meeting could not be held in quarter ended March 2022 and June 2022.</li> <li>• It is further mentioned that one of the purpose of maintaining HQLA is for projected disbursement. As on 31<sup>st</sup> March 2022 the total funds available was Rs 854.67 crore (30.89 % of excess requirement of HQLA).</li> <li>• There is no restriction placed by RBI in making disbursements through utilization of HQLA.</li> <li>• There is no directive by RBI / Board to provide any intimation to the Board of such events.</li> </ul>
1.f	<p><b>Issues related to PFS Benchmark Rate</b></p> <p>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</p>	<ul style="list-style-type: none"> <li>• Prepayments of loans is a common practice in infrastructure projects, not just in PFS but across the financing industry and are based on sound economic rationale. After commencement of commercial operations, the risk profile of</li> </ul>

S No	Particulars	Management's Response
	<p>and big infrastructure finance companies. PFS provides reply to RBI and further reduce the lending rate;</p> <p><b>CNK Comments</b></p> <p>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</p>	<p>borrower improves resulting in better credit rating, thereby opening up newer sources (bonds / ECBs etc) of funds at competitive cost.</p> <ul style="list-style-type: none"> <li>• Apart from other reasons, by way of refinancing, borrowers also obtain top up loans and a higher tenor which at times is not possible for PFS to consider and offer, as may tantamount to restructuring.</li> <li>• The matter was presented and discussed in the Board meeting held on 29<sup>th</sup> October 2020 and thereafter in PFS Business Committee meeting held on 2<sup>nd</sup> August 2021. The discussion and minutes of meeting of Business Committee are reproduced below.</li> </ul> <p><i>“The agenda note on status of PFS loan sanctioned and disbursement vis-à-vis budget and Prepayment of PFS loan accounts in FY 21, movement in PFSBR and summary of ICC proposals was explained to the Committee as per details mentioned in the agenda note. With respect to the movement of PFSBR, the Committee enquired about the process of passing of PFSBR to the borrowers. The Committee was informed that as per the earlier decision, PFSBR is calculated on monthly basis, however the decision to pass on the benefits of PFSBR to the borrowers is taken based on the business exigencies upon the recommendation of the MRMC Committee. It was also informed to the Committee that PFS Board in its meeting held on 29th October 2020 has desired that the management may take decision to pass on benefit/ burden of the change in PFS’s base rate keeping in view of the book size as well as impact on PFS’s other operational parameters and subsequently Business Committee, in its meeting held on 02nd March 2021 desired that while with respect to movement of PFSBR, there should be a balance between short-run profitability and considerations for maintaining loan book size, which in turn impacts the Company’s ability to do business in future. The management explained the above criteria currently followed in the company.”</i></p> <ul style="list-style-type: none"> <li>• Considering the cost of borrowing, PFS shall always be higher than cost of borrowing of Bank and it is always difficult to match the interest rates offered to borrower by banks. It is evident from the past that PFS has always been receiving prepayment every year ranging between approx Rs 1,700 Crs to Rs 2,200 Crs.</li> <li>• PFSBR is relatively higher than base rate of Banks and other FIs and this gap was widen due to surplus liquidity available with them during FY 20-21 due</li> </ul>



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



S No	Particulars	Management's Response
	<ul style="list-style-type: none"> <li>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;</li> </ul>	<p>fact that the account was referred by PFS as "Suspected Fraud" to RBI also do not find any mention by CNK in their report.</p> <p>It is pertinent to mention that the account was already admitted into NCLT for resolution on 18<sup>th</sup> January 2018 and after adverse decision in NCLT and NCLAT, PFS filed petition in Hon'ble Supreme Court. After Supreme Court's judgement, PFS got seat in CoC. Earlier, PFS has also filed cases of cheque bouncing u/s 138 of NI Act against the director of the company and also invoked the pledge of shares of borrower's sister concern. Supreme Court is the Apex legal court and PFS has dragged the borrower/ promoter upto it and therefore no action was pending from PFS's side. Thus the observation of CNK that no action was taken against the borrower and the promoter is blatantly misleading as mentioned aforesaid.</p> <p><b>It is pertinent to mention that there is no requirement of FAR to inform to RBI as it remain inconclusive and as per RBI in case no fraud is detected 'Nil' report is not required to be reported. Further, the FAR was referred to RBI as suspected fraud pursuant to the decision of the PFS Board. In fact, in February 2021, while approving accounting for Q3FY2021, audit committee did not recognise it as a fraud and did not make any provision</b></p> <ul style="list-style-type: none"> <li>An initial OTS offer was received from ██████████ the holding company in May 2019 and the offer was without any EMD amount continuous attempt made to improve the offer. Further, a clear cut legal opinion was taken to protect PFS's interest with regard to the Offer for Settlement submitted by MHPL particularly with respect to ongoing case i.e. u/s 138 and NCLT / NCLAT.</li> </ul> <p>At that point of time PFS had already got adverse ruling in NCLT in the instant case and its appeal in NCLAT against the ruling of NCLT also got rejected. In case PFS would have lost the case in Hon'ble Supreme Court, it would have been difficult for PFS to recover the dues. It would have also led to weakening of cheque bouncing case of Rs 125 cr. under section 138 lodged by PFS against the company. As the OTS offer was put up by the Promoter, therefore PFS was in process to get the OTS offer improved. In view of the above PFS did not object to any adjournment taken by the borrower in anticipation of better chances of recovery.</p>

S No	Particulars	Management's Response
	<ul style="list-style-type: none"> <li>• For the IBC proceedings, at the Hon'ble Supreme Court, the Company sought adjournments apparently without any Board authorization. PFS agreed for final hearing only when Supreme Court in the month of December 2021 has decided that either they will hear the matter or dismiss the application (Refer our report on loan accounts – point F);</li>   <li>• The Board had already expressed concerns about the apparent weaknesses in internal controls and that the SOPs be reviewed as part of the Internal Audit in the 140th Board Meeting dated 29 September 2021. Despite the same, even after the period of six months the management did not bring any agenda to comply with the above;</li> </ul>	<p>Further regarding the allegation that Board of Directors were not apprised of such adjournments, is incorrect and the same was informed to the Board by legal unit in its legal case updates submitted to Board on regular basis.</p> <ul style="list-style-type: none"> <li>• It is also pertinent to mention that PFS management has fought the matter at every legal forum like NCLT, NCLAT &amp; Supreme Court to protect PFS's interest. The effort put by PFS management led to a decision by Hon'ble Supreme Court in the favour of PFS.</li> </ul> <p>It is further mentioned that this judgement from Hon'ble Supreme Court is a landmark decision in all matters where borrowers attempted to evade their liability by asserting that mere invocation of dematerialised pledged shares resulted in discharge of debt. It may be noted that despite of judgment of Hon'ble Supreme Court pronounced in May 2022 in favor of PFS, though RP has given a seat to PFS in the CoC of resolution process of the instant account, NCLT is yet to convene any hearing for the loan account for last the 4 months. Thus, it is evident that addressing stress through legal route is a longish process without any timeline and without any clarity on the amount to be received against the loan.</p> <ul style="list-style-type: none"> <li>• In the 140th Board Meeting dated 29 September 2021, Board discussed the concern for specific case i.e. [REDACTED] and not on entire portfolio. Further, Board directives as indicated in the minutes of 140th Board Meeting dated 29 September 2021 have been fully complied with.</li> </ul> <p>As stated by CNK that <i>apparent weaknesses in internal controls and that the SOPs be reviewed as part of the Internal Audit</i> is not a part of discussion in 140th Board Meeting dated 29 September 2021. Further Board directive for KMP certificate and Internal audit for the compliance/ Non compliance of the Board approved conditions have been done for Q3 FY 22 and Q4 FY 22 and their report have been submitted to Audit Committee.</p> <p>In view of the RBI circular regarding Risk Based Internal Audit, PFS has revisited its internal processes and controls with assistance of Deloitte. The</p>

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	<ul style="list-style-type: none"> <li>It was also observed that the main security of the loan which is the project land mortgaged to PFS was not legally enforceable as the NOC of the state government authorities which is required as per the leased deed has not been obtained by PFS. (Refer our report on Loan Accounts – point J);</li> </ul>	<p>agenda regarding approval of draft RBIA policy and framework has been placed to the Board for its approval.</p> <ul style="list-style-type: none"> <li>The security related to 26% pledge was complied in line with sanction terms / amendments at the time of disbursement in Mar' 2014. [REDACTED] subsequently, increased the share capital of the said company without pledging proportionate shares to PFS resulting in reduced pledged shares with PFS. PFS had followed up with the company / promoter to pledge the proportionate additional shares. This fact was also mentioned in the agenda note of OTS proposal submitted to the sub-committee of the Board.</li> </ul>
2.b	<p>[REDACTED]</p> <ul style="list-style-type: none"> <li><b>Change in the condition without approval of the Board</b></li> </ul> <p>As per the Board approved condition, the Borrower should have received extension of time from [REDACTED] which should result in extension in commissioning on or before 31st July 2021, which was a pre - disbursement condition as per approved Board condition while in the loan agreement same was differently captured in a way that the condition has lost its intent. It was mentioned in the loan agreement that the borrower should receive the permission from [REDACTED] for commissioning on or before 31st July 2021 which means the permission of commissioning can be obtained upto 31st July 2021 which as per the original condition to be received before the disbursements (Refer report on loan accounts-Point A);</p>	<ul style="list-style-type: none"> <li>The loan account was sanctioned by the PFS Board in its meeting dated 20th December 2020 in the consortium lending lead by Ratnakar Bank Ltd and there were 2 other lenders ([REDACTED]) which have sanctioned the loan to the Borrower with common terms and conditions. Project has achieved Provisional COD on 31<sup>st</sup> Jan 2022 and final PCOD has been completed in 8<sup>th</sup> June 2022. Final COD is expected by end of October 22.</li> </ul> <p>For any term debt finance under construction lending, stipulation of SCOD is an essential condition to estimate financial viability and fixing the repayment dates. Since at the time of PFS sanction in Dec 2020, SCOD date of 18th Nov 2020 was expired, PFS had stipulated proposed revised SCOD and [REDACTED] letter for COD extension as pre disbursement condition in order to validate the proposed revised SCOD.</p> <p>PFS received [REDACTED] letter for COD extension within 5 days of PFS Board sanction in which SCOD was extended for 6 months (i.e. 18<sup>th</sup> May 2022) from original SCOD date of 18<sup>th</sup> Nov 2020 and based on the same Lead FI communicated the approval of revised SCOD of 6<sup>th</sup> June 2021. Before signing of agreement, the pre disbursement condition for obtaining COD</p>

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

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	<ul style="list-style-type: none"> <li>• <b>Non-reporting of the action taken on the decision of the Board taken in 140th Board Meeting</b></li> </ul> <p>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);</p> <p>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;</p> <p>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).</p>	<ul style="list-style-type: none"> <li>• The draft Minutes of 140th BM held on 29.9.21, were finalized on 9.11.21. Therefore the required actions were not placed due to fact that board was not constituted till April, 2022. Thereafter the status on this was placed to Board in meeting held on 24<sup>th</sup> May, 2022 and Board took note of the same.</li> </ul> <p>Further Board directive for KMP certificate and Internal audit for the compliance/ Non compliance of the Board approved conditions have been done for Q3 FY 22 and Q4 FY 22 and their report have been submitted to Audit Committee.</p> <p>The comments made by CNK team are factually incorrect.</p>
3.	<p><b>Incorrect / incomplete information shared to the Board of Directors and non-Adherence of the Directives given by the Board</b></p> <p><b>a) No process initiated for confirmation by internal auditors for compliance on loan related matters.</b></p> <p>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.</p>	<ul style="list-style-type: none"> <li>• The comments made by CNK are factually incorrect and selectively reported. The then Chairman asked the Audit Committee Chairman in the 131<sup>st</sup> board meeting, regarding the internal auditor's confirmation on loan accounts.</li> <li>• The complete minutes of this meeting alongwith the audio recording was provided to CNK. Unfortunately, CNK has selectively reported the facts.</li> </ul>

S No	Particulars	Management's Response
	<p><b>CNK Comments:</b></p> <p>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.</p>	<ul style="list-style-type: none"> <li>The audit committee chairman's response and the minutes of the meeting regarding the same are reproduced below: <p><i>“We have an Internal Auditor here and asking Audit Committee who is present here, are you verifying whatever conditions have been proposed to the Board the management is doing everything according to that and Internal Auditor is presently ensuring if the conditions presented to the Board are being complied according to that only. If they are not doing the same, then the Audit Committee should ensure Independent body should look into these things and give a report to the AC. To this, (Reference recording of minutes of meeting 131 at 28.33 minutes) ██████████, Chairman of the Audit Committee responded that Internal Auditor is doing the same and has in some of the cases, in the past, they have reported deviations which were minor and Audit Committee had already instructed Internal Auditor that even if there are minor deviations, the same should be reported to the Audit Committee. The Chairman stated OK.” (Reference recording of minutes of meeting 131 at 29.31 minutes)</i></p> </li> <li>Therefore the query of Board Chairman to Audit Committee chairman was responded by Audit Committee chairman and the same response was accepted by the Chairman of the Board and the matter was concluded there itself. Therefore, there was no requirement for further course of action by PFS.</li> <li>It seems CNK has only presented incorrect and partial facts i.e. the questions raised by the Chairman of the Board to the Audit Committee and has not included the response given by the Chairman of the Audit Committee.</li> </ul>
	<p><b>b) Delays by management in providing information to Board</b></p> <ul style="list-style-type: none"> <li>On 19th February 2021 ██████████ sent a letter along with a questionnaire related to NSL 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;</li> </ul>	<ul style="list-style-type: none"> <li>The comments made by CNK Team that management has time and again delayed in sharing important information to the Board are baseless and factually incorrect and constitute selective presentation of facts. All relevant papers and information as called by the Committee were handed over from time to time. The initial information was requested on 23.01.2021 by the Committee and the same was provided in a week on 01.02.2021. Basis the</li> </ul>

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	<ul style="list-style-type: none"> <li>• In 132nd Board Meeting held on 9th March 2021, at 23 minutes recording, ██████████ informed the Board that internal committee for ██████ 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;</li> <li>• The Chairman asked why minutes were delayed and whether it is conscious delay as he received minutes after 30 days;</li> <li>• 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;</li> <li>• In 140th held on 29th September 2021 ██████████ had questioned why the management has not discussed the RBI Inspection report in the earlier years to which ██████████ 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”.</li> </ul> <p><b>CNK Comments</b></p> <p>As can be seen from the above, the management has time and again delayed in sharing important information to the Board.</p>	<p>same, the Committee framed a detailed questionnaire which was sent to PFS' management on 19.02.2021, for management's reply. The reply was sent to the committee on 26.03.2021.</p> <ul style="list-style-type: none"> <li>• It must be noted that beginning February 2021 for over six months, India was reeling under the worst phase of the Corona pandemic. The government had imposed severe restrictions, including a nation-wide lock down. Offices were closed, hospitals were full with patients, people were dying and the pandemic had disrupted all walks of life. Many PFS employees and their family members were struck with Corona, hospitalised and going through extreme miserable condition. Consequently, only limited manpower was available. It must be acknowledged and appreciated that despite enormous challenges, PFS employees continued to provide full information and support to the Committee. The flaring of pandemic has been totally ignored by CNK.</li> <li>• This matter was discussed in the board meeting held on 17th May 2021 and there are no minutes mentioning any delay on part of management in furnishing information to the committee of independent directors. The Committee of Independent Directors never raised any concern of delay on the part of PFS to furnish information to them during their conduct of inquiry.</li> <li>• Further, independent directors also gave no cognisance to this alleged delay during their meeting held on 5th October 2021, though it was made by ██████████, the then Chairman in the board meeting held on 5th August 2021 and as such it was well within their knowledge.</li> <li>• <b>On the contrary, the independent directors in the same meeting held on 5<sup>th</sup> 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.</b></li> <li>• In accordance with secretarial standards read with Companies Act, it was the responsibility of ██████████, the then Company Secretary and ██████████, the then Chairman to ensure that Board minutes are finalised within 30 days. The management has no responsibility thereof.</li> <li>• Further, the then independent directors as conscience keepers of the Board should have ensured that minutes are issued within stipulated timelines. Minutes are to be issued within 30 days and to be noted in the next minutes after their issue.</li> <li>• Minutes of meetings are the final agreed records of the discussions and decisions taken during the meetings and once they are confirmed, everyone is required to act and comply with the minutes.</li> </ul>

S No	Particulars	Management's Response
		<ul style="list-style-type: none"> <li>• Regarding the RBI inspection report, it may be mentioned that [REDACTED] [REDACTED] question is factually incorrect since RBI inspection reports for all years have been placed to the Board as and when received.</li> <li>• RBI's inspection report for FY2019-20 was submitted to the Board of Directors in its meeting held on 17th May 2021. However, despite being a report by regulator with a directive to place it before the Board, the Board led by [REDACTED], the then Chairman decided to defer the agenda item pertaining to RBI Inspect report.</li> <li>• Thereafter, the matter regarding RBI inspection report was placed before the Board in its meeting held on 21st June 2021. The board decided as follows: <ul style="list-style-type: none"> <li>○ With respect to the revisiting of the fraud risk management system for early detection of potential frauds and monitoring existing fraud cases, the Board was of the view that as PFS has already in place the Fraud Monitoring and Prevention Policy, therefore the suitable reply in this regard may be sent to RBI in consultation with MD&amp;CEO, PFS and Group CRO.</li> <li>○ Regarding the issue raised by RBI on arm's length relationship with Parent Company and independent functioning of Committee and CRO not ensured, the Board desired that PFS may seek extension from RBI upto 30<sup>th</sup> September, 2021 for submitting its reply with this respect. The additional time is needed since this item requires extensive consultation with PTC and a Board approved policy. The Board further desired that as all these points pertain to PTC, therefore, the common Independent Director of PTC &amp; PFS, [REDACTED], may take the necessary documents/assistance from PFS and PTC and may oversee the preparation of the draft reply before its submission to the Board.</li> <li>○ The reply on other points mentioned in the RBI supervisory letter and inspection report may be sent to the RBI without any further delay and [REDACTED] and [REDACTED] may give their view to PFS in case they have any suggestion.</li> <li>○ Further [REDACTED] also requested from the Board to mention / prepare a description in the nature of 'terms of reference' of the work to be undertaken by him in this context. The Board desired that [REDACTED] shall prepare the said 'terms of reference' for the work expected to be overseen by [REDACTED]</li> </ul> </li> </ul>



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		<ul style="list-style-type: none"> <li>• This matter was again placed before the Board in its meeting held on 28<sup>th</sup> June 2021: <ul style="list-style-type: none"> <li>○ the board was informed about the issues on which directions of the Board are sought viz: Arm's Length Relationship with PTC, Independent Functioning of CRO, issue related to Gr. CRO, and reporting of CRO, composition of the Business Committee. The Board was further informed about the draft response prepared in this regard under the oversight of [REDACTED] Independent Director in consultation with PFS and PTC. The Board further discussed the options mentioned w.r.t. review of certain risk reports prepared by CRO, PFS by the Gr. CRO. [REDACTED], Gr. CRO &amp; Nominee Director of PTC, and it was stated that the Board may decide future process to be followed in this regard as PFS's CRO is now a fairly experienced.</li> <li>○ <b>The Board discussed that the changing existing system at this instance may give the impression that something is not right in the existing system established by the Board. Therefore, after discussions, the Board desired that response may be given on the lines of continuation of existing system as the existing system is running well since last many years in PFS and there is no violation of any regulatory provisions in the same; proper response has been already drafted under the oversight of [REDACTED].</b></li> <li>○ The Board discussed the response drafted under the oversight of [REDACTED] on certain observations of RBI letter and in principle agreed with the same and desired that director(s) may further suggest any fine-tuning in the language of the draft response. It was further discussed that [REDACTED], Nominee Director of PTC may fine-tune the language on PTC's part and circulate draft reply to all the Board members for their review so that reply may be finalized and sent to RBI within the time frame.</li> <li>○ In response of the Chairman asking for the views of MD&amp;CEO, <b>MD &amp; CEO stated that RBI need to be differentiated as a regulator also in the matter of supervision and management issues, RBI may look little differently from the way it would look at other observations. He further stated that the way RBI had replied, it would expect compliance of its observations. He also stated that these day's RBI's</b></li> </ul> </li> </ul>

S No	Particulars	Management's Response
		<p style="text-align: center;"><b>oversight has become stricter and they are taking punitive actions even case of the public sector financial organizations.</b></p> <ul style="list-style-type: none"> <li>• Thus, it may clearly be seen that the delays in considering the RBI inspection report and discussion on the matters raised therein were delayed by the Board led by ██████████, the then Chairman</li> <li>• It is important to note that the major concerns were raised by RBI on arm's length relationship between PFS and PTC, the Board led by ██████████ the then Chairman.</li> <li>• <b>Despite such concerns raised by RBI, ██████████ ignored the suggestions made by MD&amp;CEO and decided to give responsibility of preparing replies to ██████████ of PTC India Limited and ██████████ – independent director PTC and PFS, both having conflict of interest between PFS and PTC. It is clear that there was no intention to discuss the RBI's inspection report and to address the concerns raised by RBI. CNK has completely ignored these facts.</b></li> <li>• Many of the issues raised by CNK pertain to the time when due to Pandemic there was lockdown / restriction in coming to office. Providing information required frequent access to the account files which were kept at PFS's office and could not be accessed from home. This fact has been blatantly missed out by CNK. Despite the adverse condition, all the information was delivered within reasonable time in such adverse circumstances for which the PFS's staff must be appreciated. This is important to keep the morale of the staff high.</li> </ul>
	<p><b>c) Communication of Independent Directors regarding N&amp;R Committee ignored</b></p> <ul style="list-style-type: none"> <li>▪ The Independent Directors on the Board of PFS and the Chairman N&amp;R Committee ██████████ ██████████ ██████████ had repeatedly requested convening of the meeting of the N&amp;R Committee for the appointment of one women ID for which the vacancy arose after completion of tenure of ██████████ ██████████ on 14th October 2021 and for the issues of WTDs;</li> <li>▪ But his multiple requested were not acceded / responded by neither ██████████</li> </ul>	<ul style="list-style-type: none"> <li>• The comments made by CNK Team that there were deliberate delays in holding the N&amp;R Committee meetings despite reminder by the Company Secretary in baseless and factually incorrect. Moreover, there was no regulatory non-compliance</li> <li>• ██████████, the Non-Executive Chairman of PFS Board since 9<sup>th</sup> November 2021, had informed to PTC RMC that he had more than 50 calls with Independent Directors and two video informal meetings to explain them</li> </ul>

S No	Particulars	Management's Response
	<p>██████ (Chairman);</p> <ul style="list-style-type: none"> <li>▪ The meeting of the N&amp;R Committee called for 10th December 2021, by ██████ was rescheduled for next week on the request of ██████; (the meeting was finally not held as the nomination of the candidate was withdrawn);</li> <li>▪ On 12th December 2021, Company Secretary emailed as an early warning signal to ██████ regarding the status of the non-compliances which can happen in future if the NRC meeting will not be held timely.</li> </ul> <p>It seems that there were deliberate delays in holding the N&amp;R Committee meetings inspite of reminder by the Company Secretary.</p>	<p>the various issues. This is mentioned in the PTC RMC report also and was provided to CNK also.</p> <ul style="list-style-type: none"> <li>• During FY2020-21, 7 board meetings and 3 NRC meetings were held</li> <li>• Similarly, during FY2021-22, 12 board meetings and 5 NRC meetings were held till November 2021 (the date of resignation of Ex Independent Directors).</li> <li>• The term of ██████ as Independent Director on PFS Board ended on 14<sup>th</sup> October 2021.</li> <li>• The Company was required to induct a Woman Independent Director within 90 days of vacancy and accordingly, such induction was required to be done by 12<sup>th</sup> January 2022. There was no regulatory non-compliance as there was sufficient time to appoint Woman Independent Director on PFS Board.</li> <li>• However, it can be clearly verified from the emails sent by all the then Independent Directors of PFS, including ██████ himself, through their emails dated 18<sup>th</sup> December 2021 addressed to Chairman PFS that the primary intention of the independent directors was to grant extension in the tenure of Sh. Rakesh Kacker.</li> <li>• The emails sent by all the then independent directors on 18<sup>th</sup> December 2021 addressed to Chairman PFS, interalia stated that “you have referred to compliance of SEBI LODR. While this is important <b>there are other matters that need the urgent attention of the NRC. The most important of these at present is the extension / reappointment of ██████ as Independent Director for a period of three years as his present term ends on 31<sup>st</sup> December 2021. Your email is unfortunately silent on this issue.</b>”</li> <li>• It is pertinent to mention that the policy of PFS for appointment of independent directors, as was existing on 18<sup>th</sup> December 2021, stipulated the maximum age of independent director at the time of appointment as 67 years and ██████ had already completed 68 years of age on the proposed date of his reappointment and thus, <b>was not eligible to be appointed in terms of policy of the Company.</b></li> <li>• However, the resigning independent directors were forcing and coercing the Management to call a meeting of the NRC for appointing an ineligible independent director on the board of Company.</li> <li>• All this information was made available to CNK but CNK has chosen not to present the same in its report nor point out the impropriety and corporate mis-</li> </ul>

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		<p>governance in ██████████ and the other ex-IDs directing the management to re-appoint him as ID despite being ineligible.</p> <ul style="list-style-type: none"> <li>It is also pertinent to mention that NRC could not be reconstituted on 31<sup>st</sup> December 2021 since all the then independent directors had rejected the proposal to reconstitute the NRC on the grounds that resolution by circulation was not sent to ██████████, whereas ██████████ was never a Director of PFS either <i>de jure</i> or <i>de facto</i>.</li> </ul>										
4.	<p><b>Possible Non-compliance of Rules &amp; Regulations, Circulars, and guidelines of RBI</b></p> <p><b>a) Appointment of nominee directors</b></p> <ul style="list-style-type: none"> <li>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;</li> </ul> <table border="1" data-bbox="327 906 953 1133"> <thead> <tr> <th>Category</th> <th>Number</th> </tr> </thead> <tbody> <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>██████████ was part of Board as circular resolution was shared</td> <td>1</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li><b>Requirement as per RBI</b> 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</li> </ul>	Category	Number	Whole Time Director	1	Independent Director	4	Nominee Director	1	██████████ was part of Board as circular resolution was shared	1	<ul style="list-style-type: none"> <li>It is important to note that all changes in Directors are intimated by the Company to Reserve Bank of India.</li> <li>It is clarified that the Equity Shares of the Company are listed on the Recognized Stock Exchanges in India ('RSE') with 64.99% of the equity capital being held by Promoter and Promoter Group [i.e., PTC India Limited ('PTC India'), also listed entity on RSE] and balance equity shareholding is held by public and other shareholders. It is also matter of record that the Promoter shareholding in the Company has remained unchanged since last many years, and hence the issue of transfer of any control etc. in PFS does not arise.</li> <li>██████████, Chairman PTC India Ltd was nominated to PFS Board as Chairman and ██████████ was nominated as Director to PFS Board by PTC India. Consequent to resignation of ██████████ as Chairman of PTC India Ltd and also withdrawal of ██████████ as nominee Director, PTC India Ltd nominated ██████████ as Chairman and ██████████ as Director on Board of PFS. It is also clarified that these nominee directors have only oversight role given the investment made by PTC India in PFS and they are not involved in management and day to day operations of PFS. As per article of association of PFS, to hold a Board meeting, the presence of minimum one nominee director of PTC is necessary. Necessary intimations to Registrar of Companies ('ROC'), Securities and Exchange Board of India ('SEBI') and Reserve Bank of India</li> </ul>
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██████████ was part of Board as circular resolution was shared	1											

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	<p>the Bank for the following:</p> <p>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.</p> <p><b>CNK Comments</b></p> <ul style="list-style-type: none"> <li>▪ 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.</li> <li>▪ However, it seems that no such permission was sought by the Company from RBI.</li> </ul>	<p>(‘RBI’) were filed by the Company intimating the above replacement of nominee directors.</p> <ul style="list-style-type: none"> <li>• In the instant case there was a mere replacement of two nominee directors appointed by PTC India (in its capacity as Promoter) on the board of PFS, and there is no change in equity shareholding structure and/ or management of PFS. On account of above facts, the Company believes that no prior approval of RBI was required in terms of Para 2(c) of Reserve Bank’s Circular Ref No. DNBR (PD) CC. No.065/03.10.001/2015-16 dated July 9, 2015 in respect of above two replacements.</li> <li>• It may be note that similar query was received from RBI and Company has provided the same response to RBI.</li> <li>• It may be mentioned that such change has happened in the past also at the time of nomination of Directors – [REDACTED] by PTC India Limited in July 2020.</li> <li>• This observation is irrelevant / redundant because it does not establish or indicate any material impact on the financials of the Company. As per the agreed Engagement letter, CNK was required “to ascertain the veracity of the issues raised by the Independent Directors of the Company in resignation letter/s dated 19th January 2022 having material impact on the company”. Further, “Material Impact” means any event which result in material adverse impact on financial position on the accounts of PFS and performed with sole motive of malafide intention / fraud wherein any such critical information was not disclosed to Audit Committee or Board and is in contravention of PFS policies or directions of the Board or statutory requirement, having significant impact on decision making related to such project /proposal”.</li> </ul>									
	<p><b>b. Issues highlighted by the RBI not closed</b></p> <p><b>CNK Comments</b></p> <p>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.</p>	<ul style="list-style-type: none"> <li>• The Company has submitted the replies to RBI from time to time on the inspection report for the FY2019-20. Details of communication with RBI is given below:</li> <li>• <b>Inspection Report FY1920</b></li> </ul> <table border="1" data-bbox="1094 1268 1887 1365"> <thead> <tr> <th></th> <th><u>Date</u></th> <th><u>Particulars</u></th> </tr> </thead> <tbody> <tr> <td>1</td> <td>12-May-21</td> <td>Receipt of RAR and IR Letter</td> </tr> <tr> <td>2</td> <td>04-Jun-21</td> <td>Receipt of Supervisory letter</td> </tr> </tbody> </table>		<u>Date</u>	<u>Particulars</u>	1	12-May-21	Receipt of RAR and IR Letter	2	04-Jun-21	Receipt of Supervisory letter
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1	12-May-21	Receipt of RAR and IR Letter									
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S No	Particulars	Management's Response		
		3	29-Jun-21	PFS Reply on observations
		4	06-07-2021 and 8 July 2021	Query of RBI on data for 1) appointment letter of RTA and also few samples of the replies sent by Kfin to the complainant and the investors 2) documentary evidence showing prepayment of loan account (██████████) prepaid. ██████████ with loan outstanding of Rs 86.5 Crs and ██████████ with loan outstanding of Rs 195 Crs).
		5	7-07-2021 and 8 July 2021	Reply sent on queries as per RBI Email dated 6 July 2021
		6	09-Jul-21	RBI Email for query on Asset classification, Provisioning/ ECL and account statement of the borrower ██████████ from April 2019 to June 2021
		7	09-Jul-21	PFS Submitted reply in response to email query dated 9 July 2021
		8	20-Jul-21	Response of RBI on reply to the compliance submitted by company
		9	04-Aug-21	PFS reply in response to RBI email/letter dated 20 July 2021
		10	26-Aug-21	Response of RBI on reply to the compliance submitted by company
		11	28-Oct-21	PFS reply in response to RBI email/letter dated 26 Aug 2021
		12	12-Nov-21	Response of RBI on reply to the compliance submitted by company
		13	07-Jan-22	PFS reply in response to RBI email/letter dated 12 Nov 2021
		Note:		

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		<ol style="list-style-type: none"> <li>1. Vide letter dated Dec 31, 2021, RBI communicated pending for compliance for two points w.r.t. Inspection 19-20 in its Supervisory letter for Inspection period 20-21.</li> <li>2. PFS replied on said two pending points on 04 July 22</li> <li>3. RBI sent its observation vide letter dated 6 Sep 22</li> <li>4. PFS submitted its reply on 20 Sep 22</li> <li>5. PFS has not received any further observation from RBI.</li> <li>6. PFS has ensured compliance from its side.</li> </ol> <ul style="list-style-type: none"> <li>• RBI's inspection report for FY2019-20 was submitted to the Board of Directors in its meeting held on 17th May 2021. However, despite being a report by regulator with a directive to place it before the Board, the Board led by [REDACTED], the then Chairman decided to defer the agenda item pertaining to RBI Inspect report.</li> <li>• Thereafter, the matter regarding RBI inspection report was placed before the Board in its meeting held on 21st June 2021. The board decided as follows: <ul style="list-style-type: none"> <li>○ With respect to the revisiting of the fraud risk management system for early detection of potential frauds and monitoring existing fraud cases, the Board was of the view that as PFS has already in place the Fraud Monitoring and Prevention Policy, therefore the suitable reply in this regard may be sent to RBI in consultation with MD&amp;CEO, PFS and Group CRO.</li> <li>○ Regarding the issue raised by RBI on arm's length relationship with Parent Company and independent functioning of Committee and CRO not ensured, the Board desired that PFS may seek extension from RBI upto 30<sup>th</sup> September, 2021 for submitting its reply with this respect. The additional time is needed since this item requires extensive consultation with PTC and a Board approved policy. The Board further desired that as all these points pertain to PTC, therefore, the common Independent Director of PTC &amp; PFS, [REDACTED], may take the necessary documents/assistance from PFS and PTC and may oversee the preparation of the draft reply before its submission to the Board.</li> <li>○ The reply on other points mentioned in the RBI supervisory letter and inspection report may be sent to the RBI without any further delay and [REDACTED] may give their view to PFS in case they have any suggestion.</li> </ul> </li> </ul>

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		<ul style="list-style-type: none"> <li>○ Further ██████████ also requested from the Board to mention / prepare a description in the nature of 'terms of reference' of the work to be undertaken by him in this context. The Board desired that ██████████ shall prepare the said 'terms of reference' for the work expected to be overseen ██████████.</li> <li>● This matter was again placed before the Board in its meeting held on 28<sup>th</sup> June 2021: <ul style="list-style-type: none"> <li>○ the board was informed about the issues on which directions of the Board are sought viz: Arm's Length Relationship with PTC, Independent Functioning of CRO, issue related to Gr. CRO, and reporting of CRO, composition of the Business Committee. The Board was further informed about the draft response prepared in this regard under the oversight of ██████████, Independent Director in consultation with PFS and PTC. The Board further discussed the options mentioned w.r.t. review of certain risk reports prepared by CRO, PFS by the Gr. CRO. ██████████ Gr. CRO &amp; Nominee Director of PTC, and it was stated that the Board may decide future process to be followed in this regard as PFS's CRO is now a fairly experienced.</li> <li>○ The Board discussed that the changing existing system at this instance may give the impression that something is not right in the existing system established by the Board. Therefore, after discussions, the Board desired that response may be given on the lines of continuation of existing system as the existing system is running well since last many years in PFS and there is no violation of any regulatory provisions in the same; proper response has been already drafted under the oversight of ██████████.</li> <li>○ The Board discussed the response drafted under the oversight of ██████████ on certain observations of RBI letter and in principle agreed with the same and desired that director(s) may further suggest any fine-tuning in the language of the draft response. It was further discussed that ██████████, Nominee Director of PTC may fine-tune the language on PTC's part and circulate draft reply to all the Board members for their review so that reply may be finalized and sent to RBI within the time frame.</li> <li>○ <b>In response of the Chairman asking for the views of MD&amp;CEO, MD &amp; CEO stated that RBI need to be differentiated as a regulator also</b></li> </ul> </li> </ul>



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		<p><b>in the matter of supervision and management issues, RBI may look little differently from the way it would look at other observations. He further stated that the way RBI had replied, it would expect compliance of its observations. He also stated that these day's RBI's oversight has become stricter and they are taking punitive actions even case of the public sector financial organizations.</b></p> <ul style="list-style-type: none"> <li>• Thus, it may clearly be seen that the delays in considering the RBI inspection report and discussion on the matters raised therein were delayed by the Board led by ██████████, the then Chairman</li> <li>• It is important to note that the major concerns were raised by RBI on arm's length relationship between PFS and PTC, the Board led by ██████████, the then Chairman.</li> <li>• <b>Despite such concerns raised by RBI, Mr. ██████████ ignored the suggestions made by MD&amp;CEO and decided to give responsibility of preparing replies to ██████████ of PTC India Limited and ██████████. ██████████ – independent director PTC and PFS, both having conflict of interest between PFS and PTC. It is clear that there was no intention to discuss the RBI's inspection report and to address the concerns raised by RBI. CNK has completely ignored these facts.</b></li> </ul>
	<p><b>c. Implementation of RBIA Framework</b></p> <p>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.</p>	<ul style="list-style-type: none"> <li>• The Board of the Company was reconstituted on 29<sup>th</sup> March 2022 after the resignation of Ex Independent Directors.</li> <li>• The RMC (a sub-committee of Board) was re-constituted in July 2022.</li> <li>• The Risk Based Internal Audit was to be implemented by 31<sup>st</sup> March 2022, therefore, it was not possible to meet the deadline.</li> <li>• The Company has informed the re-constituted Board from time to time regarding the actions taken in this regard.</li> <li>• To ensure implementation of RBIA framework, PFS had engaged ██████████ for advising on the same.</li> <li>• ██████████ completed comprehensive discussion with on activities undertaken by each functions at PFS and assessment of inherent business risks associated with such activities. ██████████ also completed the review of the existing</li> </ul>

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		<p>control systems for monitoring the inherent risks associated with such activities. Subsequently, based on its review, ██████ has submitted the draft report of gap assessment and draft policy document. ██████ took time in reviewing the risk control matrix of each function of PFS and in developing Risk Audit Matrix based on the magnitude, frequency of risk, multifunction departmental interface in PFS and RBI requirements in this regard.</p> <ul style="list-style-type: none"> <li>• The draft RBIA policy and framework was submitted to RMC of PFS which considered it during the meeting held on 10<sup>th</sup> October 2022 with respect of RMC aspects and advised to place it to the Board for its consideration and approval.</li> <li>• The agenda regarding approval of draft RBIA policy and framework has been placed to the Board for its approval.</li> </ul>
5.	<p><b>Non-compliant manner in using scanned Signatures for signing the documents (as per Information Technology Act, 2000)</b></p> <p>By using scanned signatures, the company violates the compliance of the Information Technology Act, 2000 and also the document authenticity is not valid. In future, the concerned personnel would not take responsibility of that. It also seems from the email that CFO has tried to convince the internal auditor not to include the point in their report.</p>	<ul style="list-style-type: none"> <li>• The statement made by CNK on the CFO are factually incorrect and baseless. The email by CFO is addressed internally to PFS personnel only and not to the internal auditors. The incident pertains to period when the entire country was reeling under Corona pandemic and humanity was going through the worst phase of century. Thereafter only physical signatures are being used.</li> <li>• The said signatures were affixed on the documents and these documents were circulated by the same person. There has been no misuse of the signatures.</li> <li>• The internal auditor raised these observations in its internal audit report and discussed them with the audit committee. The Audit committee asked the Internal Auditor to check total number of such incidents out of population of required sample. The internal auditor vide email dated 24th August 2022 stated that <i>“As an additional testing for Q4 FY 22, on sample review of 40 documents (out of above 64), no other document was observed wherein PDF signatures were used for signing of the documents (other than the 2 cases reported in IA report i.e. FMR1 &amp; FMR 2/3)”</i></li> <li>• The management has not concealed anything nor is there any element of fraud / malafide intention.</li> </ul>