

Date: 9th December, 2022

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

Sub: Intimation of resignation of Independent Directors- Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosures Regulations), 2015

Ref: Our letter dated 3rd December 2022

This is further to our letter dated 3rd December, 2022, intimating resignation of Mr. Devendra Swaroop Saksena (DIN No. [08185307](#)) and Mr. Jayant Purushottam Gokhale (DIN NO. [00190075](#)) vide their letter dated 2nd December, 2022.

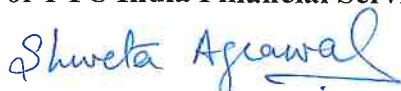
The reason of their resignation is as mentioned in their resignation letters enclosed herewith along with the Company's response on the same, as directed by the Board.

Based on the information available with the Company, Mr. Devendra Swaroop Saksena and Mr. Jayant Purushottam Gokhale are not the directors of any listed company.

This is for your information and record please.

Yours faithfully,

For PTC India Financial Services Limited



Shweta Agrawal

Company Secretary and Compliance Officer

Enclosed: Annexure- Resignation letters & Company response

PTC India Financial Services Ltd. (CIN: L65999DL2006PLC153373)

(A subsidiary of PTC India Limited)

Registered Office: 7th Floor, Telephone Exchange Building, 8 Bhikaji Cama Place, New Delhi - 110 066, India

Board: +91 11 26737300 / 26737400 Fax: 26737373 / 26737374, Website: www.ptcfinancial.com, E-mail: info@ptcfinancial.com

From: Jayant Gokhale <jayant@gokhalesathe.in>

Sent: 02 December 2022 8:47 PM

To: Shweta Agrawal <shweta.agrawal@ptcfinancial.com>; guptanb@hotmail.com; pvbharathi21@gmail.com; pankajgoel@ptcindia.com; saksena.sushma@gmail.com; rnmisra1957@gmail.com; 'Rajib Kr Mishra' <rajiv.mishra@ptcindia.com>; bahugunaseema@gmail.com; 'Pawan Singh -PFS' <pawan.singh@ptcindia.com>

Cc: Mohit Seth <mohitseth@ptcfinancial.com>; sushamanath@gmail.com; saksena.sushma@gmail.com; 'Preeti Saran' <preetisaran@yahoo.com>; 'PFC Director Finance' <directorfinance@pfcindia.com>; vksingh@powergrid.in; 'Himansu Shekhar. - ED' <hshekhar@nhpc.nic.in>; 'Subhash Mundra' <mundra.exdg@gmail.com>; 'Raghuraj Rajendran' <raghurajmr@ias.nic.in>; 'Sangeeta Kaushik' <sangeetakaushik@ntpc.co.in>

Subject: Letter of resignation dt 2nd Dec 22 from my position as Independent Director of PTC India Financial Services

Sirs,

I am enclosing here with my letter of resignation as ID of PFS, along with its annexures. The PDF file is digitally signed and is machine readable as may be required by you.

I wish the company well and thank the Board of PFS for providing me a major learning experience as a professional.

Regards,
Jayant Gokhale

2nd December 2022

To,
The Board of Directors
PTC India Financial Services Limited
7th Floor, Telephone Exchange Building
8 Bhikaji Cama Place
New Delhi - 110066

Sirs,

RE: Letter of resignation from my position as Independent Director of PTC India Financial Services Limited ("Company" or "PFS")

1. This is to inform you that I have decided to resign from my position as independent director of the company. I do so with a heavy heart since it was my sincere endeavour to fulfil the responsibility cast upon me to protect the interests of all stakeholders in the company, and particularly those of the small and non-promoter members. However, despite the best efforts of my colleague directors and myself; the management¹ / majority of the Board have consistently acted in a manner which I believe is not in consonance with the norms of good governance. Such actions by the management/board have resulted in the position of 'independent director' being rendered nugatory. All attempts to head the company in the direction which would be in the long-term interest of all stakeholders have been systematically stymied and frustrated. As such I see no purpose in continuing to remain on the Board; which in public perception and law is responsible for the superintendence, control and supervision of the actions of the management; but is in fact not in a position to exercise such influence. My resignation from the position of independent director of the company is therefore with immediate effect.
2. You will recall that 3 Independent Directors resigned together on **19th January 2022** giving rise to a legal impasse rendering the Board and its committees dysfunctional. The reasons for resignation cited by these 3 highly respected and experienced independent directors² also pointed to certain serious irregularities / deficiencies in compliance with norms of corporate governance and disclosure of information to the board.
 - 2.1. In this regard, SEBI observed that such a situation '*is an extraordinary circumstance which highlights that the affairs of the company were not managed appropriately*' --" and apparently there was no such precedent in recent Indian corporate history.
 - 2.2. On **22nd January 22** – SEBI wrote to say "*company is directed to address the CG issues and all other issues raised by the resigning IDs and ex-Chairperson first, before holding any Board meeting and to file an action taken report*".
 - 2.3. An Action Taken Report (ATR) was filed by the management on 8thFeb 22.

¹ Which phrase would generally include a reference to the promoter / nominee Directors

² Mr. Thomas Mathew, Mr. Santosh Nayar and CA Kamlesh Vikamsey

- 2.4. This ATR was rejected by SEBI on 2nd March 2022. Permission to hold a meeting without appointment of independent directors was also rejected for the same reason.
3. Since the Company was unable to resolve this legal deadlock for 3 months, certain further defaults arose (for e.g. Adoption of Q3 accounts and holding of stipulated meetings). It was at this stage, on 29th March 2022, that 4 independent directors (including myself) from the parent company (PTC India Ltd.) were inducted onto the board of PTC India Financial Services Ltd. (PFS) A note in regard to the same is given at **Annexure A titled 'Background'**. Our objective was clearly to facilitate a proper enquiry into the said allegations, *'to address the CG issues and all other issues raised by the resigning IDs'* and formulate a speedy and suitable resolution of the matter as the circumstances demanded.
4. I have to sadly note that over the last 8 months, though I have tried my level best to contribute positively towards attainment of this objective; there were significant hurdles in this path due to the approach adopted by the management / Board. The management has consistently taken a view that there was in fact no deficiency in the past. Further, several of the issues cited by the previous IDs continue to persist despite the best efforts of the new IDs. In this letter, I am pointing out some of the continuing irregularities and lapses which have come to my notice during the period that I have been an ID with the Company. I have noted that rather than recognise the problem and attempt to resolve it, the management has refused to recognise that any deficiency of the nature alleged by the resigning IDs exists. The approach adopted by the management had frustrated all attempts by some of the IDs to initiate corrective actions. What finally convinced me to take the step of resigning was the persistent refusal of the management to cooperate with the conduct of the forensic audit and the ultimate conclusion drawn by management that the forensic audit report did not contain any significant findings whatsoever. Despite the forensic auditor pointing out numerous lapses and irregularities; the management continues to insist that there is nothing wrong and in fact, challenges the forensic auditor's understanding and interpretation of certain basic facts. Apart from this, the forensic auditors have in their report **made numerous assertions of 'scope limitations'** and have clearly stated that their conduct of the forensic audit was hampered by the lack of cooperation from the management in submitting information in a timely manner, as well as the numerous technical impediments raised by the management. Notwithstanding the above, issues have been raised by the management; seeking to lay the responsibility for delay in conclusion of forensic audit as also for the delay in adoption of accounts for FY 21-22 with the forensic auditors, statutory auditors, with the Audit Committee (ACB) and some of the independent directors, including myself. This approach has to be noted in the backdrop of the unprecedented situation of 3 Independent Directors resigning together on 19th January 2022. I believed that ensuring that the Annual Results for FY 21-22 with an appropriate audit report was made available to the stakeholders was one of my prime tasks for which I was inducted onto the Board. Therefore, I soldiered on despite the tremendous difficulties faced. I was hoping to see that the entire backlog (June 22 - Q2 & September 22 - Q3 results which are yet to be declared even in December 22) would be cleared before I resigned. However, the approach even after the Annual Results for FY 21-22 were passed by the Board has convinced me that I cannot continue on the Board of PFS any longer.

5. As chairman of the ACB, I have been deeply conscious of the responsibility cast on the audit committee, and have therefore also been in touch with the statutory auditor to ascertain their views in this regard. It would be appropriate to mention that on numerous occasions, the Board attempted to 'direct' the audit committee to adopt the accounts without compliance of the basic requirements that would be essential for consideration of the financial statements by the audit committee. There are factual and technical issues that rendered such consideration and adoption of the financial statements impossible for the audit committee. However, the broad fact that in none of these meetings of the ACB (except the meeting in mid-November 22 when the ACB actually considered the Annual Financial statements of March 22), was a complete draft audit report made available to the ACB. This fact has been pointed out on record and attention has been drawn to the specific wording of the SEBI LODR which clearly states that the role of the audit committee (as per Reg. 18 (3) r/w Para C (A4) is "*Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board.....*".
6. Apart from the above reasons, there are numerous significant and other contributory factors which made me extremely uncomfortable in discharging my duties as the Chairman of the audit committee and as a member of the board. I have held this position for just 8 months, but within this short period, the sense of unease, a continuous feeling of an adversarial approach in the functioning of the board and the unwillingness on part of the management to consider positively, numerous suggestions made by the independent directors; has eventually led to my deciding to resign as mentioned above. I have also noted that on various occasions, even information that was furnished, was furnished only in response to specific queries and was often not forthcoming in a very transparent manner. There are far too numerous issues that I may mention. Therefore, in order to focus on the significant issues these are given in Para 6 onwards, and other instances are listed briefly in **Annexure B to this letter**]. Having joined the board pursuant to the unprecedented resignation by 3 independent directors; it was hoped that the deficiencies in compliance with corporate governance norms as pointed out by the resigning IDs would be improved upon taking guidance from the incoming 4 IDs. However, the picture that has emerged in the last 8 months has been quite the contrary as can be seen from the illustrative list³ of instances mentioned hereunder.
- 6.1. It is important to note that the forensic auditor in his preliminary findings has indicated certain irregularities which they have pointed out "*may have implications on the financial statements*". The management, however, continues to deny that there are any irregularities and further asserts that there are in any case, no implications on the financial statement and **even challenges the concept of evergreening** of Loans raised in the forensic audit report (despite the forensic auditor having pointed out the references to the same in RBI Circulars and Guidance Note issued by the ICAI).
- 6.2. Some directors also raised questions about the intent and correctness of the statutory auditor expressing a disclaimer on the quarterly results for Q3 of FY 22 disregarding the fact that expressing his professional opinion is the sole prerogative of the statutory auditor.

³ As mentioned – this is only an illustrative list and, in my view, numerous other matters are not mentioned here or in the Annexure B – only to observe some limitation on the length of this resignation letter.

- 6.3. It would be interesting to note that initially the quarterly financial results for **Q3 – Dec 2021** as presented to the audit committee (**on 24th & 26th May 22**) reflected a Net Profit of Rs 52 Crores. Upon deliberation in the ACB and considering the presentation / comments of the statutory auditor, the ACB was constrained to not approve of the said accounts until appropriate provisioning in accordance with the standards / regulations was made. After very extended deliberations resulting in a reconsideration of the financial results; the net profit got reduced to Rs. 2 Crores. **Thus, there was a 96% variation** from the figures initially presented by the management to the ACB and the figures ultimately presented by the management before the ACB. These and other related facts which I found highly disturbing were noted in my **email dt 26th May 22 and 30th May 22** which is enclosed herewith as **Annexure C**. This clearly indicates an extremely irresponsible approach of the management in presentation of financial data. It also establishes clearly the need for the ACB to be extremely vigilant. Considering the above facts **the ACB forwarded the Q3 results to the Board without approving or recommending the same.**
- 6.4. Despite having expressed strong disapproval of such an approach when considering the Q3 results; the same approach was adopted by the Management when the annual financial **results of March 22** were presented before the ACB **on 11th Nov 22**. In response to various issues raised in the ACB, the management agreed to increase the provisioning by more than RS. 10 crores. Such adjustments clearly undermine the degree of reliability that the ACB could place on the financial statements presented before it by the management.
- 6.5. It is also worth noting that even in an earlier meeting of the ACB before I joined the Board, the consideration of quarterly / annual results had to be deferred for making certain additional provisioning that arose in discussion in the Audit Committee / Board. (Refer ACB meeting of 07-06-2021 deferred to 09-06-2021 to enable necessary additional provisioning to be made).
- 6.6. MEETINGS: Almost all the meetings of the Board and its important Committees were called at short notice a without circulation of proper agenda in advance. The same pattern has continued for 13 further meetings of the Board and 10 ACB meetings held after those cited in para 6.6.2 below.
- 6.6.1. The matter reached a ridiculous level when a meeting of the Board which **considered the forensic audit report** was called at 11:38 am (**22 minutes notice**). At that time, an ACB meeting was already in progress and I had earlier intimated that I had to leave for a personal function at 12:30 pm. Despite this, the ACB extended till 1:10 PM as a result of which, I had no occasion to even see the notice circulated at 11:38 AM. After I (as Chairman) concluded the ACB meeting, and was in transit for attending the said personal function, I came to know that a meeting of the Board had been convened and was in progress. I immediately sent a mail objecting to the same and reserving the right to issue further comments. The relevant mails giving notice without giving the agenda and my **mails dated 13th and 14th November are enclosed as Annexure D**. It is inconceivable that matters of such importance, are discussed without adequate notice to the Chairman ACB and despite my written objections being submitted on 13th & 15th Nov 2022.

6.6.2. I may mention that while one understands ‘urgency’, all matters of the board and ACB cannot be taken as ‘urgent’ so casually and is clearly contrary to the norms of corporate governance. That this is a continuing problem over the last 8 months is highlighted by giving for illustrative purposes, data relating only to the meetings held in April & first week of May 22.

- 144th BM - 06.04.2022 (Notice 01.04.2022 & agenda on 05.04.2022 evening)
- 145th BM- 08.04.2022 (No agenda) – Meeting later adjourned.
- 77th ACM (08.04.2022) (Notice on. 7 April22 & agenda on 7 April 22 late night)
- 78th ACM (26.04.2022) (Notice & agenda sent on 23.04.2022 - for appointment of forensic auditor which was under discussion for months)
- 47th NRC (28.04.2022) (Notice on 27.04.2022)- No Agenda was sent
- 48th NRC (05.05.2022) (Notice on 29April & Agenda on 2nd May22)
- 146th BM (05.05.2022) (Notice on 29 April no agenda)- Meeting adjourned.

A proper analysis of the dates of notice / dates of agenda circulation and dates of the meeting for the 7 month period thereafter will show that the situation deteriorated further after May 22.

6.6.3. It is clear that when convening meetings of the ACB/Board citing urgency, the reasons for urgency would have been known to the management. Yet, these reasons were not disclosed in the agenda, which was often made available to the directors just before the meeting.

6.6.4. In a meeting held on **25th June 2022**, there was no agenda in regard to identification of new independent directors. Even if such agenda were considered as urgent, this would be known to the management much earlier and should have been communicated in a timely manner. Despite my objections recorded in the meeting, the Chairman ruled that discussion would continue. As per Code of Conduct of the IDs as prescribed in the Companies Act, 2013, the appointment process of independent directors shall be independent of the company management. This aspect was not complied with in spirit. Further, the process followed was also non-compliant with the company’s own laid down policy in regard to calling for IDs to provide inputs. The Company Secretary confirmed that the process being followed was not proper and in violation of SEBI directives which restricted any change in the Board composition. However, on being overruled by the Chairman, he refused to continue in the meeting as well as in the Company since the process adopted was in violation of the SEBI directive. He accordingly pressed for giving effect to his resignation that he had earlier submitted and physically left the meeting at that stage. Chairman however continued the discussion on the subject and the meeting and proceeded to accept the nominations as purportedly recommended by NR Committee and appointed the three new Independent Directors despite the objections of some of the existing IDs. It may be noted that in the instant case all the names were placed by the Management, which is against the basic rule of independence as identification of IDs should be done by the other IDs and not by management.

- 6.6.5. Agenda Notes when provided for NR Committee, did not give complete factual data. Earlier minutes of the N&R Committee and the Board clearly refer to certain process to be followed for re appointment of whole-time directors. This was totally ignored in one of the Meetings. No mention of this was made in the agenda papers. Upon management being questioned, it was explained that it was not within the knowledge of the MD & CEO, when in fact he was party to the proceedings when the process was laid down and this was also part of NR Committee and Board proceedings recorded. When this was pointed out, it was tried to be explained as an oversight. The fact remains that a material factual information was not placed for the consideration of the board in regard to important issues such as appointment of whole-time director.
- 6.7. Other issues raised in the audit committee / Board about the appointment of one of the Big Firms in the country as information system (IS) auditors for FY 22 and thereafter unilaterally replacing them and obtaining the system audit report from some other auditor, have also not been satisfactorily explained till date. It was informed to the ACB that the said firm unduly delayed commencement of IS Audit despite having had meetings and exchanged correspondence with the Company. Despite being asked for specifically, no correspondence, no letter of resignation from the appointed firm or even a single e-mail or letter intimating their removal was presented to the ACB. The role of Information System audit in such NBFC has been duly emphasised by RBI. Despite this, to take the highly unusual step of replacing a reputed firm; and to obtain an audit report from some other firm, making a replacement merely on the basis of telephonic conversations can only be considered as highly irregular. Such actions when viewed in the context of the other surrounding circumstances raise serious questions about the overall facts and figures presented to the ACB.
- 6.8. Various Proposals for grant of facilities to certain borrowers (aggregating to more than Rs. 500 Crores) were put up before the business committee/board despite the fact that these were non-compliant with the extant policy laid down by the board. The ID pointed out that bringing such proposals which were non-compliant with the board prescribed policy was not appropriate. The response to the same was that the policy thus required amendment. Accordingly, the matter was taken to the board and despite the fact that there were 3 different breaches / non- compliance with the laid down policy, the policies themselves were amended to accommodate the said proposals. It was pointed out to the management that the policy prescribed had been formulated as a well-conceived risk mitigation measure. There were limitations prescribed that:
- a) Aggregate advances beyond a certain level should not be made to a single industry – in order to avoid a concentration risk.
 - b) In case credit rating was below a prescribed level, the tenure of the advances was not to exceed certain number of years (to avoid the possibility of lower rated borrowers becoming more risky with the passage of time due to possible deterioration in their credit standing)
 - c) Prescribing a certain minimum interest rate in case certain parameters were not complied with. (This was linked to the concept that in case of higher risk perception- a higher earning should be ensured).

6.8.1. The board in its meeting held in Sept 2022, approved certain proposals by relaxing the policy in regard to all the above three parameters. This, in my view **defeats the very objective of the board creating a risk control framework and prescribing a policy in that regard.**

6.9. It was also noted that certain other proposals for disbursement were put up for approval despite the fact that some of the fundamental/ significant conditions stipulated while sanctioning the proposal were not complied with. Thus, even though the condition of creation of mortgage on immovable property was not satisfied, the proposal for disbursal was still pursued by the management. Similarly, in another proposal, despite the fact that promoter's equity was stipulated at Rs. 36 Crores and actual equity infusion as date was Rs. 36,000/- (i.e. less than 0.01% of the sanction terms), the proposal was put before the board without meeting such fundamental condition. It was explained that the party had given ICD to meet the extent of shortfall. The fundamental difference between an ICD in terms of repayment and priority as compared to equity contribution of the promoter is obvious to any person familiar with lending operations.

7. It may be mentioned that the above matters related to the period after April 22 and therefore were not mentioned in the forensic audit report; since the management insisted that the forensic audit cannot cover a period beyond March 22.

8. The appointment of the forensic auditor is another contentious issue that remains disputed by the management even though the forensic audit is itself now completed (albeit with significant scope limitations). Soon after the 4 IDs were inducted onto the board - a proposal was mooted by the management in consultation with the statutory auditor that a forensic audit be conducted. Accordingly, management put up an agenda note before ACB which is a matter of record. Acting on the said proposal made by management, the audit committee on 26th April 2022 unanimously appointed a reputed firm of chartered accountants to carry out the forensic audit as per the terms proposed by the management. It was noted by the ACB that the management had already negotiated with a management consulting firm to carry out the said forensic audit. In place of the said management consulting firm, the ACB unanimously decided to appoint another experienced firm of chartered accountants to carry out the forensic audit. As soon as this fact was noted by the management after the conclusion of the ACB meeting (around 8 pm), pushback against the ACB decision started that very night. One ID wrote a mail expressing his dissent, and had to be politely informed that the recording of the meeting clearly showed that the decision was unanimous. Any views taken subsequently by the management or by any director in consultation with the management, cannot be treated as dissent in the meeting, but his changed views may be expressed at a subsequent meeting. It is from this point onward that the non-approval of minutes of ACB became an issue (as is dealt with in greater detail in para B.6). The salient points in regard to the appointment of forensic auditor are mentioned in brief as under:

8.1. Despite requests by me - as Chairman ACB- to promptly issue the letter of appointment & proposed scope of the forensic audit, no action was taken by the company, resulting in my communicating the same to the appointed firm.

8.2. The company filed a disclosure (as required by SEBI LODR) on 27th April 22 - stating that *"the Company has appointed M/s. XXX LLP (Chartered Accountants) to carry out the third*

party Independent forensic audit”. This filing with the stock exchange, with the approval of MD, clearly shows that the appointment was effective with the approval of the ACB and the company, and the video recording of the proceedings of the meeting (which have been subsequently furnished to SEBI at their request) will bring out this fact with absolute clarity.

- 8.3. Notwithstanding the above, the management, in subsequent Board & ACB meetings continued to raise issues about validity of appointment, powers of the ACB, determination of scope of forensic audit, reporting responsibility of the forensic auditor etc.
- 8.4. Thereafter, some shareholders filed allegations stating that the procedure adopted for appointment of forensic auditor was incorrect and flawed, and that there was a conflict of interest in the said forensic auditor being appointed etc. Interestingly, these issues raised by the shareholders echoed identical points made in the ACB /Board meetings by one of the IDs. The said allegations were found to be absolutely without substance, and after due deliberation in the ACB were determined to be frivolous.
- 8.5. The combined effect of the above 2 points [Para 8.3 & 8.4] resulted in a delay of not less than 90 days with all the attendant consequences. If the appointment made by the ACB had been acted upon immediately, the entire issue about delay in finalisation of accounts as well as a whole host of consequential penalties other controversies and regulatory actions could have been avoided by the management.
- 8.6. The management stand about when the forensic auditor was appointed and by whom, is full of contradictions as is apparent from the various declarations filed by the management itself. The declaration filed with the stock exchange on 27th April 22 clearly shows that all other stands taken by the management were in contradiction of its own declaration filed for information of stakeholders. It may also be stated that, in a subsequent agenda note circulated to the members of the ACB, the management itself once again made the assertion that the ACB had made the appointment on 26th April 22. However, minutes before the commencement of the meeting, the Acting Company Secretary withdrew the said agenda note citing that there were certain errors therein and substituted it with a modified agenda note. Despite my specific request, the original agenda note has been removed from the software platform on which directors are expected to access the agenda papers securely. The fact that such post facto removal was done and my specific request not complied with till date; also raises the larger question about veracity of data available on the software platform (since only the management & IT team of PFS has post facto access to these matters), whereas the IDs do not have any specific assurance that the data remains unaltered.
9. The above are only some of the glaring issues which show that the board/management persists in laying the responsibility on everyone but themselves. As per the management, the stand taken by the statutory auditor, the forensic auditor, the audit committee and 3 of the 4 independent directors are all defective / erroneous and unacceptable. As mentioned earlier, functioning in a responsible manner as the chairman of the ACB and as an ID has become increasingly difficult over the last eight months considering the large list of matters which in my view are entirely contrary to the norms of corporate governance (See instances above and annexure B). More importantly, it has become increasingly apparent in the manner of conduct of the meetings (which will be seen in the video recordings of the meetings which are to be maintained securely by the

Company as per SEBI Regulations); that the IDs are viewed as impediments rather than respecting and considering the inputs offered by the IDs who collectively bring years of experience to the board. It is these factors that have led me to conclude that the resignation from the Board is the only viable option available to me.

10. I therefore resign from Directorship of PTC India Financial Services Ltd. with immediate effect.
11. I hereby declare that all material reasons for my resignation as an Independent Director are mentioned above and confirm that there are no other material reasons for my resignation.
12. I request the Company / Compliance Officer to kindly acknowledge receipt of this letter, take my resignation on record and take necessary steps immediately to complete the relevant legal and procedural formalities, including uploading forthwith the intimation to the stock exchanges and to file DIR-12 with the Registrar of Companies. I am also sending a copy of this resignation letter to the Regulators and to the Directors of the Parent Company (since all the Independent Directors of PFS are also Directors of PTC India Limited) & the Registrar of Companies. The company / compliance officer may take necessary steps to inform the prescribed authorities / submit necessary forms or returns under intimation to me.

Yours sincerely,

Jayant Gokhale.

A. Background

- A.1 On 19th January 2022, 3 very reputed and highly qualified individuals who were then the independent directors of PFS resigned (collectively referred to as resigning IDs), citing detailed reasons which inter alia included allegations of "*serious lapses in corporate governance*" practices of the company, non-sharing of critical information with the board and that too being shared "*with complete disregard to timeliness*" and various other issues. Such a collective resignation by all the IDs of a listed company was to my mind unprecedented amongst listed companies in India. This action whereby the Board did not have a single remaining ID rendered the board, dysfunctional as per the SEBI LODR.
- A.2 On 22nd January 22 – SEBI directed the company "*to address the CG issues and all other issues raised by the resigning IDs and to file an action taken report*". Rather than rectifying the situation, the management was quick to label this as an attempt by the resigning IDs to malign the company. An Action Taken Report (ATR) was also filed by the management on 8th Feb 22.
- A.3 This ATR was rejected by SEBI on 2nd March 2022. Permission to hold a meeting without appointment of independent directors was also rejected for the same reason.
- A.4 Since it was considered necessary to look into the validity or otherwise of the issues raised by the resigning IDs, 4 IDs were finally appointed on 29th of March 2022. I was subsequently requested to also be the Chairman of the Audit Committee.
- A.5 It was therefore understood by us that apart from looking into the issues raised by the resigning IDs, the incoming Independent Directors would facilitate and guide the management in maintaining appropriate standards of transparency, timeliness and good corporate governance.
- A.6 This was essential for the reason that PFS is a listed NBFC, registered with the RBI as an infrastructure finance company. Apart from the company itself being a listed company, it is also the subsidiary of another listed company viz. PTC India Ltd. (PTC) whose promoters include some of the leading government companies in the power sector. Given this lineage, the company is expected to adhere to the highest norms of conduct apart from the regulatory norms prescribed by SEBI and the Companies Act. The three resigning IDs raised issues of serious lapses in corporate governance in the company and inter alia alleging that
- a). Management was not providing information called upon by the Board/ IDs.
 - b). Management was disclosing selective or skewed information to the Board/ IDs.
 - c). Unilateral change in conditions of loans by the management without furnishing the said information to the Board.
- A.7 The hurriedly prepared ATR submitted by the company to SEBI (at their behest) was not found satisfactory by the regulators. It was thus apparent that when we were inducted into the board, we had to address these issues with the highest priority. Based on the company's correspondence and interaction with SEBI, (as also the correspondence with the parent company PTC); the following major steps were undertaken to resolve this impasse.
- a). In PFS, 4 IDs (from amongst the independent directors of PTC) were inducted as IDs of PFS on 29th March 2022 and the Audit Committee (ACB) and Nomination and Remuneration Committee (NRC) were constituted shortly thereafter.
 - b). Simultaneously, based on the SEBI communications to PTC, an existing committee (Risk Management Committee (RMC) of PTC) was tasked inter-alia with the job of looking into instances of failure, omission, delay or other deficiencies (if any) in adhering to Corporate Governance norms in the PTC / PFS in the recent past as highlighted by (resigning) IDs of PFS and in the RBI report and further to identify causes of such failure and suggest corrective measures

B. Other instances of Governance Failures leading to my decision to resign.

- B.1 Directions & communications from regulators not properly informed to the Board / ACB.
- B.1.1 I may refer for illustration purposes to the direction re status quo in composition and structure of the board which was not intimated to the Board in proper/ timely manner. It may be mentioned that the earlier IDs had resigned from the board citing exactly similar reasons. While the management contended that there was no substance in their allegations, the similar conduct appears to have been continued even after the resignation and could not be commented upon by the forensic auditor since these actions took place after March 22.
- B.1.2 Even SEBI communication (dt 6th June) which enquired into the audit committee's reasons for "*non-adoption and non-recommendation of the Q3 results by the audit committee*", was not brought to the notice of the audit committee, and we came to know about it only when SEBI issued a follow-up letter addressed to all directors on 28th June 22.
- B.2 Mr. Mohit Seth, then Company Secretary, informed that he ceased to be the company secretary / compliance officer w.e.f. 10th Aug 22 due to "*situation of immense pressure in terms of work and otherwise from inside*". Prior to that, the earlier compliance officer and company secretary, who had been with the company since its formation and had served in this responsible position for more than 20 years also resigned.
- B.3 Mr. Sanjay Rustagi, now signing as CFO; in an earlier **written communication dated 31st May 2022 asserted that he was not the CFO**. He continued to sign papers as Asst VP and these papers were co-signed by the MD, indicating acceptance of this position. A very convoluted explanation was given since neither his discontinuation nor appointment was intimated to the stock exchange and as at date, the said person continues to sign as CFO. The contradictions and lack of clarity in the stand taken by the company have been spelt out in my email sent on 30th May to seek clarifications; and hence not fully reproduced here.
- B.4 Minutes were drafted in a manner that they do not accurately capture the actual proceedings, and reveal a bias in the drafting. For e.g. in an important matter, the proposition agreed upon by the majority in the ACB i.e. the decision is recorded in a single line- without any rationale that was clearly discussed. However, the next paragraph gave detailed reasoning in regard to the views of dissenting directors. This resulted in the rationale for proposing a certain resolution not being captured at all and the minutes not recording the specific issues pointed out by the chairman and majority of the IDs. Reference may also be made in another instance to my emails dt 17th Aug & 18th Aug 22 as well as the Board minutes (144th Meeting- 6th April 22) in regard to appointment of Chairman of Nomination and Remuneration Committee (NRC), which were debated upon in the next Board meeting.
- B.5 Specific directions issued by me as ACB Chairman to the compliance officer, were not being complied with on various occasions; agenda of the ACB meeting was being decided upon and intimated to the members without consultation with me. Apart from this, at times, even the date and timing of the audit committee was unilaterally decided by the management/ compliance officer without prior intimation to me as Chairman of the audit committee. Reference may be made inter-alia to my email dt 18th Aug 22.

- B.6 Minutes of audit committee not being completed / approved was caused as a result of infinite number of corrections/alterations being suggested by one ID. The meetings of the audit committee often lasted for periods ranging from 3 to 6 hours. If the original minutes are not drafted in a clear correct and complete manner; it is not practically possible for me as the chairman to listen to recordings and draft the minutes myself. In any case, this is the responsibility of the company secretary who is a professional and is required to undertake this task in a proper manner. The extensive correspondence on the issue of a single resolution passed illustrates this point with ample clarity. In any case, video recordings of all these meetings are available; and an independent person may be charged with the responsibility of preparation of a complete set of unbiased minutes based on the video recordings.
- B.7 There are numerous other instances that can be cited such as:
- B.7.1 where a resolution which was typed on screen during the course of the meeting and was voted upon in the ACB was not circulated for 4 days despite instructions to that effect from ACB Chairman on the ground that this was awaiting ‘*approval of competent authority*’;
- B.7.2 similarly attempting more than once to reconstitute the audit committee despite advice to the contrary from SEBI,
- B.7.3 Relying on a report issued by an external advisors to counter the findings of the forensic audit report, although the said advisors have put so many reservations, disclaimers and limitations that no cognizance of such views can effectively be taken. Their disclaimers reproduced verbatim include inter-alia:
- *“Our findings are based on information and documents to the extent provided to us. For this reason, it is possible that our observations may have been different had we reviewed the whole documentation/ information on a particular matter.*
 - *Our scope did not require, and our work steps were not tailored to identify regulatory/statutory non-compliances.*
 - *We have also relied on the verbal justifications provided by PFS management*
 - *We have relied on the justifications provided by management on the observations stated by forensic auditor.*
 - *.. it is possible that there are factual inaccuracies where we have not been provided with the complete picture/information/documentation on a particular matter by the process owners.*
- In turn, the management states that it has relied upon the consultant’s findings to prepare their response to the forensic audit report. Thus, it is not clear who is relying upon whom in this self-serving arrangement. And this advise is used to argue that the conclusions of the Forensic Audit Report are incorrect / flawed.
- B.7.4 taking a stand that where SEBI uses the words “company is advised”, it does not amount to a direction which is to be brought to the attention of the Board on the interpretation that the word ‘advised’ is to be distinguished from the word ‘directed’, and
- B.7.5 generally seeking numerous legal opinions in order to justify post-facto; the stand taken by management earlier.

However, only to limit the length of this letter I am refraining from detailing any more points and therefore ending the list of illustrative points here.

Annexure C
to resignation letter

From: Jayant Gokhale -Partner G & S <jayant@gokhalesathe.in>
Sent: 30 May 2022 17:52
To: Pawan Singh -PFS <pawan.singh@ptcindia.com>; Vishal Goyal <vishalgoyal@ptcfincial.com>; Sanjay Rustagi <sanjay.rustagi@ptcfincial.com>
Subject: Re: Notice for adjourned 79th meeting of the Audit Committee - PFS

To the Managing Director,

PTC India Financial Services Ltd.

Sir,

You will note from the trailing e-mail that upon receipt of the notice for the adjourned meeting of Audit Committee of the Board of PFS (ACB- PFS) on 25th May 22, I had sent a mail (see trailing mail) requesting certain particulars to be placed on record as part of the agenda papers so that the audit committee would have a clear picture of the numerous issues on which there was lack of clarity on the stand taken by the management before the auditors and the ACB.

In response to the above mail; you sent a partial compliance just 5 minutes before the meeting commenced. Since none of the Directors could have perused the contents in a few minutes; during the proceedings of the meeting, I once again requested that these papers be furnished by way of a note on each item so that these may form part of the Agenda Notes for the meeting. While the management explained some of the matters raised in the trailing e-mail; no specific note qua each item was furnished and it was mentioned that this was due to paucity of time to prepare the same. The matters raised in my trailing e-mail were of great significance in considering the PFS financial results for Q3, and in my view there were certain inconsistencies between information furnished and my understanding of the facts of the matter. This was one of the reasons why the audit committee unanimously decided neither to adopt or recommend the Q3 financial results of the company while submitting the same to the Board for its consideration.

There are also other issues which have not been fully clarified, which led to my stating in the previous paragraph that there has been a partial compliance. To illustrate, you have undoubtedly given the particulars of appointment of the CFO and the resolution in that regard. However, I had also asked specifically for confirmation that he continues to function in that capacity which is not been expressly stated. As per my recollection, on a specific query to him about this role as CFO, he had not given a positive confirmation of the same. Even the papers signed by him and forming part of the agenda papers do not refer to him as CFO but give his designation as VP Finance. Similarly, the auditors, presumably on the basis of documentation made available to them by the Management continue to state that "the company is in the process of appointing an independent firm to undertake forensic audit." This despite the fact that the company's filing with the stock exchange on 27th April 2022 clearly states "the company has appointed M/s CNK & Associates LLP (Chartered Accountants) to carry out the third-party independent forensic audit". I am unable to reconcile how both the statements can be correct at the same time. During the proceedings of the committee on 24th May 22, the auditors attention was drawn to the apparently incorrect language / position contained in the draft report. It may be pointed out that in the audit committee meeting held on 26th April 22, the scope of work of the forensic auditor had been finalised basis the agenda note placed

by the management (which also incorporated the suggestions of the statutory auditor). The committee had unanimously noted the urgency of the matter and stressed that the forensic audit be completed within a month. Despite the above, it appears that neither an agenda for modifying the scope of audit has been placed before the audit committee (if there is a perceived need for this) nor the engagement letter issue till date. I request you to kindly clarify the company stand on the matter.

The outcome of the audit committee and the board are now a matter of record. However, I note that there still continues to be a lack of clarity about the facts in respect of which I had made enquiries in my email. While paucity of time could have been a justification when we met on 26th evening; that can no longer be the reason for non-furnishing of the requisite information as requested in the trailing e-mail. I therefore state once again that the management view on said facts needs to be clearly placed on record and this needs to be done, preferably before the audit committee of the parent company (PTC) on 31st May 22 or at the earliest thereafter. In fact, some of the matters do not even require much preparation (e.g. a comparison of the divergence between the management approved figures as presented on 24th and as presented on 26th May). Similarly, within a couple of hours after the adjournment of the ACB on 24th, the auditors have made a specific request for certain information to be furnished. (See Para 6 of my trailing mail; for ready reference copy of the e-mail from statutory auditors is enclosed herewith). I trust the said information would have been furnished to the auditors as requested by them and therefore, the information sought by me should not take time to compile.

I therefore reiterate my request that all the matters mentioned in the trailing mail should be furnished forthwith as per my request dated 26th May 22. I further request that the CFO/Company Secretary also obtain from the statutory auditors a copy of the presentation that they may have prepared for the meeting on 26th May 22 and that too may be furnished. In particular, a proper summarised tabulation of the Q3 results as presented before the audit committee on 24th & the amended figures presented on 26th May 22 showing clearly the head wise variation (In Rs) in the financials as initially and finally proposed by the management for consideration by the auditor and the audit committee. [Refer Para 2.2 of my trailing e-mail].

I await prompt action on the matters mentioned above and in my trailing e-mail.

Regards,
CA Jayant Gokhale,
Chairman, ACB of
PFS India Financial Services Ltd.

On Thursday, May 26, 2022, 02:54:41 PM GMT+5:30, Pawan Singh -PFS
<pawan.singh@ptcindia.com> wrote:

Dear Sir,

With reference to your trailing email, you may understand the company is going with troubleance time and your guidance and support to overcome this situation is very essential for the Company.

In respect of the various points highlighted by you in your email, we would like to submit as under:-

- Copy of the presentation made during the audit committee meeting held on 24th May, 2022 is attached;
- Copy of email received from the Nominee Director- PTC w.r.t to the factual position of report of RMC- PTC, is attached;
- Copy of the Board Resolution and intimation made by the Company to the stock exchanges regarding appointment of Sh. Sanjay Rustagi as CFO is attached.
- We further confirm that Sh. Sanjay Rustagi is at present CFO of the PFS.
- Copy of documents submitted to the statutory auditors pursuant to their e-mail after the Audit Committee Meeting are also attached;

Apart from the above, the other points mentioned by you in your e-mail, we would like to clarify in the meeting of the Audit Committee scheduled to be held on today.

We again solicit your kind guidance and co-operation for the Company.

Thanks and Warm Regards
Dr. Pawan Singh
MD&CEO

From: Jayant Gokhale -Partner G & S <jayant@gokhalesathe.in>

Sent: 26 May 2022 11:59

To: sushamanath@gmail.com <sushamanath@gmail.com>; saksena.sushma@gmail.com <saksena.sushma@gmail.com>; Ramesh Narain Misra <rnmisra1957@gmail.com>; Pankaj Goel <pankajgoel@ptcindia.com>; Vishal Goyal <vishalgoyal@ptcfinancial.com>

Cc: Pawan Singh <pawan.singh@ptcfinancial.com>; Sanjay Rustagi <sanjay.rustagi@ptcfinancial.com>

Subject: Re: Notice for adjourned 79th meeting of the Audit Committee - PFS

To the Managing Director,

PTC India Financial Services Ltd.

Sir,

The proceedings of the audit committee meeting held on 24 May 22 were greatly disturbing to me and quite unprecedented in my years of experience as a professional and as a director. There are certain issues which are at the root of this and after giving deep thought to the matter, I felt that it is appropriate that when we consider the primary agenda for today's adjourned meeting; these issues may be squarely addressed. Therefore this note to you in reply to the notice sent yesterday night, with a request that the company's stand in each of these matters be clearly stated by way of note which may be placed on record as part of the agenda papers. This would enable the audit committee to take an appropriate view on the subject of hand.

1.1. It was noted that the financials as presented before the audit committee of the board (ACB) did not include numerous provisions which in

the opinion of the auditors were necessary for the financial results to reflect the true picture of the company as at 31ST December 2021. Admittedly, you were not in agreement with the views of the auditor. However, it is the minimum standard of good governance that in the event of such differences the same should have been fully brought out in the presentation that was made before the ACB. Unfortunately, it is noted that none of these issues were even hinted at (leave alone addressed) in the presentation made before the ACB or in the comments made by you when the financials were being discussed. It was only upon my specific enquiries in the course of the meeting in regard to the provisioning that these issues came to the forefront.

1.2. It is also worth noting that the impact of the provisioning as desired by the auditors was converting a net profit into a net loss which had been brought out with absolute clarity even though you may not have been in agreement with the same.

1.3. It will also noted that when Mr Rustogi was specifically asked about his views on the matter, he agreed with the view expressed by the auditor that provision was necessary. It is highly irregular that the finance team / CFO and the management are expressing different views before the ACB leading to totally divergent results.

1.4. Even a simple matter such as 'unadjusted differences' as presented by the auditors was not agreed to by the management and lead to some discussion. By definition 'unadjusted differences' in the financial results are items which are admittedly in error but not be material enough to warrant adjustment in the duly prepared statements. The fact that there are different viewpoints when coming before the ACB reflects very poorly on the data presented to us and would definitely undermine our confidence in the financial results.

2. The net result of all the above matters was that after more than six hours of discussion in the ACB, we were unable to clear a single item in the agenda (out of the 15 put up - incidentally without prior consultation with me as chairman). I hope we should do better today. However in order to facilitate a quick consideration of the matters before the ACB I would request you to kindly do the following.

2.1. Put up a note stating clearly whether all the recommendations of the auditor have been incorporated into the financial results or whether there are still some points of deviation which the management believes that the auditors conclusions / recommendations are not appropriate / need not be followed.

2.2. The note should also mention in value terms (Rs) the deviation from what was presented on 24 th, what is placed for adoption today and which recommendations of the auditor have not been agreed to by the management

2.3. The copies of the presentation made by the management on 24th may be circulated forthwith to the members of the ACB, and if any fresh

presentation is being made today - copy of the said presentation may also be forwarded at an appropriate time.

3. It was also noted that the draft (disclaimed) report furnished by the auditor - which gave a disclaimer on the financial results mentioned two points which to my mind were factually incorrect. On being asked the auditor stated that his statements are based on management representation in this regard.

3.1. It was noted that the auditors had mentioned that "*the company was in the process of appointing a forensic auditor*". As you are aware this is factually incorrect. The forensic auditor has already been appointed and his scope has also been specified by the ACB. The fact of appointment of CNK Associates LLP (CAs) has been also communicated to the stock exchanges. However, if the company or Chairman / other member of the ACB is having a different view on the matter you are requested to state explicitly the said stand so that the issue is appropriately reflected in the auditors remarks and is also suitably considered by the audit committee in considering the Q3 financial results. In order to avoid any lack of clarity in the matter - I request you to kindly state the stand of the company in the note which you may circulate before we consider the Q3 financial results.

3.2. The appropriate status of the report of the RMC of PTC may also be clearly stated that since I found that there was an inconsistency between the factual position as known to me and what was being mentioned by the statutory auditor in his report. You will appreciate that in matters of this nature, the **disclosures have not only to be factually correct but also factually correct and complete.** To my understanding, what was informed to the auditor was probably correct but not complete and therefore in my personal view are deficient disclosure. I request you to kindly place on record what is the correct position as on date so that the auditor and ACB are in harmony in their understanding of the factual matrix of the matter.

4. There is also the issue about who takes ownership for the financial results. There was some discussion about whether the CFO is in fact a CFO or not. While the management seems clear that he is, he has not clearly stated as such when asked. It is also noted that on numerous documents forming part of the agenda (which is apparently been cleared by you) of the same meeting, the said person is designated as VP Finance. You will appreciate that this is a regulatory matter and therefore you may request your secretarial Department took place on record the specific resolution about his appointment as CFO, the date from which he took charge and a confirmation from you that he continues to hold charge as CFO and is therefore part of the key management personnel of the company. The I believe that would have also been reported to the stock exchanges and the same may kindly also be cited.

5. In my note sent to you on 23rd (the day before the audit committee meeting), I had also requested you to kindly provide on record suitable justification for the audit committee to consider making a departure from its view taken in the earlier meeting that it is not advisable to accept a disclaimed review report. I had specifically requested that you may clarify what underlying facts have changed

so as to lead to a change to being taken by the ACB. Undoubtedly, you placed on record a reply which mentioned that subsequent to that meeting, you have been facing increasing pressure from credit rating agencies/lenders in regard to disclosure of results. While I agree that this could be a valid consideration, in my view it is a fairly general statement and for any committee to depart from its earlier stand a more specific justification with facts and figures would be desirable. However, this being a subjective matter, I leave it to you whether you would want to substantiate this aspect in the note that am requesting for today.

6. I note that immediately after the conclusion of our ACB meeting 24thMay 22, the auditor has addressed an e-mail seeking specific inputs by way of a write-up on various matters of provisioning in certain specific entities that were discussed in the course of the meeting on 24th May. If those notes have been provided, a copy of those notes may be provided to me / audit committee members so that the stand taken by you in Point 2 above would stand clarified.

Request you to kindly do the needful.

Regards,

CA Jayant Gokhale,

Chairman, ACB of

PFS India Financial Services Ltd.

Annexure D
to resignation letter

From: Jayant Gokhale <jayant@gokhalesathe.in>
Sent: 15 November 2022 15:24
To: 'Mohit Sethi' <mohitseth@ptcfinancial.com>; rajiv.mishra@ptcindia.com; 'Pawan Singh -PFS' <pawan.singh@ptcindia.com>; sushamanath@gmail.com; rnmisra1957@gmail.com; saksena.sushma@gmail.com; pankajgoel@ptcindia.com; 'Rahul Agrawal' <RahulAgrawal@mska.in>
Cc: 'Lalit Sethi' <lalit.sethi@ptcfinancial.com>; 'Rahul Agrawal' <RahulAgrawal@mska.in>
Subject: Reply to Board Resolution approving certain resolutions in my absence.

To,
The Chairman,
The Managing Director &
Acting Company Secretary of
PTC India Financial Services Ltd.

This has reference to the board meeting held on 13th November at approximately 1:30 pm and resolution passed therein. I also draw your attention to my email sent at 3:16 pm when I found out that a board meeting had been irregularly convened and was in progress. The said email is given here under.

I received yesterday (14th Nov) afternoon, the resolution passed by the Board members at the said meeting. As mentioned in my email, that I had strong objections to the manner in which such meeting was conducted, and the fact that in my view, **such meeting was invalid ab-initio**. I am also informed that certain other directors had also objected to the said meeting. I also have objections to the contents of the resolution that have been circulated yesterday (as the record of what was decided in the irregularly convened meeting of the board on 13th Nov 22). I state that **in the event that you wish to reproduce the said resolution, or any part thereof as part of the decision taken by the board, this email recording my objections should also be included as a part thereof**. I further state that this conduct is in continuation of the violations of proper governance norms, especially because you are deciding upon matters that have a bearing on the financial statements for the financial year ending March 22 being adopted without proper notice to me as Audit Committee Chairman.

Facts:

- A. On 13th November 22, I had chaired the meeting of the audit committee which commenced at 9:30 am and continued a little bit past 1 PM. Even before the convening of this meeting of the audit committee, and at numerous times during the meeting; I have drawn attention of the members and the management that I had to leave for a wedding at 12:30 pm (and in order to conclude the business of the audit committee- I stretched that time by half an hour). It was made amply clear that I was not available after that time; and at that point of time even the MD who happened to be attending as invitee concurred with my need to leave forthwith at 1 PM. At that stage no mention was made of a board meeting being convened immediately thereafter.
- B. I later on found out that a board meeting was convened, on the basis of a notice issued while I was busy conducting the audit committee meeting. The notice for the 158th meeting was issued at **11:38 am - calling for meeting at 12 -noon**. This absurdly short notice is itself indicative of the manner of functioning. Further, since the audit committee was still in progress till 1 PM; a further **notice was issued at 1:11 pm rescheduling the meeting to 1:30 pm** on the same day. Therefore, whether one considers the original order rescheduled meeting notice; you will note that in either case the notice time was less than 30 minutes.

In light of the above, my views in this regard are as under:

1. It may be noted that I have **never consented to having a meeting at such short notice**. The notice given in this manner, and not brought to my attention even 10 minutes before I left after concluding the audit committee meeting is defective notice

and in my view; the meeting is therefore invalid and all the **decisions taken therein are void and inapplicable.**

2. The **email from the Company Secretary (given in trailing email) - mentions that I have been given leave of absence. I may point out that I have never applied for any leave of absence. As mentioned above, I was not even aware of the fact that meeting was being then convened and held. Therefore, the question of my seeking leave of absence does not arise; and unilaterally granting me leave of absence indicates the attempt to regularise a fundamentally invalid meeting.**
3. The resolution purportedly passed on that day inter-alia records, *The management is directed to submit the report of Forensic Audit with management comments, E&Y remarks, legal opinion by Former CJI, legal opinion of CAM and former Director (Finance) of PFC - Mr. Nagarajan Radhakrishnan and this Board resolution to SEBI.* **I have strong objection to such superfluous documents being uploaded as it amounts to misleading the investor community.** In fact, subsequent to your having passed such resolution, the directions given by the stock exchanges clearly tend to support my view. Therefore, even if you consider that the said resolution is valid; I submit that the indication from the stock exchange is very clear: that these other documents should not be provided in conjunction with the forensic report. Management may seek whatever inputs that it desires in regard to the forensic audit report. However, such opinions are only part of the internal records of the company and cannot be used in the manner proposed. I therefore record my objection to this part of the resolution, and if you insist that it is resolution so passed - you should record my dissent thereto as clearly stated my email sent when I came to know about the conducting of such invalidly convened meeting.
4. As regards the paragraphs
 - i. *CNK has not identified any event having material impact on the financials of the Company. Hence not quantified.*
 - ii. *CNK has not identified any instance of fraud and diversion of funds by the company.*

I submit that the said conclusion was reached without appreciating the inputs that I could have provided, and perhaps had I been given an opportunity to do so, the views of other directors might have been different. In fact most of the members of the board as well as the MD who was present as an invitee at the audit committee meeting were aware that the discussion in the audit committee clearly brought out that there were numerous instances of operational irregularities that were considered in the course of the discussions in the audit committee. I state that while there is no quantification of material impact on the financials of the company for the financial year 21-22, this could be because of numerous reasons. The first and foremost is that the forensic auditor has clearly expressed scope limitations which would have prevented him from giving more specific details in regard to possible material impact. Further, that there may be no material impact for the financial year 21-22, does not necessarily mean that there never was or that there is absolute certainty that there never will be an impact on the financials in the future - arising from the numerous irregularities which have been clearly mentioned in the forensic audit report. The scope limitations mentioned by the Forensic auditor also give indication that while a **conclusion of fraud may not have been reached on the basis of evidence made available; such conclusion cannot be absolutely ruled out.** In fact a proper examination with full records being accessed, may result in some of the so-called 'irregularities' being considered a fraud, but in absence of adequate evidence being made available, the forensic auditor has possibly refrained from reaching such definite conclusion.

5. Under the circumstances, having recorded my objections as above, I state that in the event that you wish to make any reference to such resolution, my objection mentioned above may also be brought out along with the same. In any case, since the stock exchanges have directed that the forensic audit report needs to be uploaded separately

and has mentioned only 2 matters that may be separately disclosed by stating as under

“Company shall disclose the below as a separate announcement:

1. PFS Management Response
2. Remarks issued by Ernst & Young LLP (independent advisors to the management in relation to the forensic audit)”
6. I therefore emphasise that the stock exchange has not given liberty to the management to include any other statement as is proposed to be done by the above resolution. Assuming, for the sake of argument that the resolution passed in the meeting was valid; the decision to upload the other documents has now been rendered infructuous by the subsequent direction given by the stock exchange. I insist that you take note of the same and act according to such direction by the stock exchange. **I therefore request you not to upload any document other than those mentioned above. Any act, done in violation of the will in my view be considered to be in breach of the said direction and I therefore request you to desist from doing the same.**

Regards,
Jayant Gokhale.
Independent Director.

From: Jayant Gokhale <jayant@gokhalesathe.in>
Sent: 13 November 2022 15:13
To: Mohit Seth <mohitseth@ptcfinancial.com>; rajiv.mishra@ptcindia.com; Pawan Singh -PFS <pawan.singh@ptcindia.com>; sushamanath@gmail.com; rnmisra1957@gmail.com; saksena.sushma@gmail.com; pankajgoel@ptcindia.com; Rahul Agrawal <RahulAgrawal@maska.in>
Cc: Lalit Sethi <lalit.sethi@ptcfinancial.com>; Rahul Agrawal <RahulAgrawal@maska.in>
Subject: Re: Notice of 159th Board Meeting to be held on Sunday, 13th November, 2022 at 12:00 Noon

Sirs,
I am shocked to learn that the Board meeting earlier scheduled at 12 noon is now called at a time when I had informed (since yesterday - before issuance of notice) that I will be in transit after 1:30 pm.
I am also informed that in my absence the Board is considering the Forensic Audit report. I strongly protest against such action and holding such meeting and state that I have never given consent to such meeting at such extremely short notice. I therefore reserve the right to send any comments later on. Further In case a consideration of the report includes adoption or rejection of the forensic audit report- It may be noted that my view given in the Audit Committee to accept the Forensic Audit report in full needs to be taken on record.

Regards
Jayant Gokhale
cc Stat Auditor for information.

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From: Mohit Seth <mohitseth@ptcfinancial.com>
Sent: Sunday, November 13, 2022 1:11 PM
To: rajiv.mishra@ptcindia.com <rajiv.mishra@ptcindia.com>; Pawan Singh -PFS <pawan.singh@ptcindia.com>; sushamanath@gmail.com <sushamanath@gmail.com>; rnmisra1957@gmail.com <rnmisra1957@gmail.com>; jayant@gokhalesathe.in <jayant@gokhalesathe.in>; saksena.sushma@gmail.com <saksena.sushma@gmail.com>; pankajgoel@ptcindia.com <pankajgoel@ptcindia.com>
Cc: Lalit Sethi <lalit.sethi@ptcfinancial.com>
Subject: RE: Notice of 159th Board Meeting to be held on Sunday, 13th November, 2022 at 12:00 Noon

Madam / Sir

The Board is rescheduled for 1.30 PM, same link will work

Regards
Mohit Sethi

From: Mohit Sethi
Sent: 13 November 2022 12:19 PM
To: rajiv.mishra@ptcindia.com; Pawan Singh -PFS <pawan.singh@ptcindia.com>; sushamanath@gmail.com; rnmisra1957@gmail.com; jayant@gokhalesathe.in; saksena.sushma@gmail.com; pankajgoel@ptcindia.com
Cc: Lalit Sethi <lalit.sethi@ptcfinancial.com>
Subject: RE: Notice of 159th Board Meeting to be held on Sunday, 13th November, 2022 at 12:00 Noon

Madam/ Sir ,

With reference to the trailing e-mail, we would like to mention that the duly approved agenda for 159th Board Meeting of PFS to be held on 13th November, 2022 at 12:00 Noon, has been uploaded on the e-meeting software.

You are requested to kindly make it convenient to attend the meeting.

Regards
Mohit Sethi
Acting CS

Agenda items for the Board Meeting

Item No.	Agenda items for the Board Meeting
159.0	Leave of absence
Agenda Items to take note	
159.1	
159.9	INTERMEDIATE ITEMS ARE NOT REPRODUCED TO PRESERVE CONFIDENTIALITY
159.10	
Any other business with the permission of Chair.	

From: Mohit Seth

Sent: 13 November 2022 11:50 AM

To: rajiv.mishra@ptcindia.com; Pawan Singh -PFS <pawan.singh@ptcindia.com>; sushamanath@gmail.com; rnmisra1957@gmail.com; jayant@gokhalesathe.in; saksena.sushma@gmail.com; pankajgoel@ptcindia.com

Cc: Lalit Sethi <lalit.sethi@ptcfinancial.com>

Subject: RE: Notice of 159th Board Meeting to be held on Sunday, 13th November, 2022 at 12:00 Noon

Sir / Madam,

With reference to the trailing e-mail, please find below the link of the VC facility for 159th Board Meeting of PTC India Financial Services Limited to be held on Sunday, 13th November, 2022 at 12:00 Noon

<https://bluejeans.com/966871158/7469>

You are requested to kindly make it convenient to attend the meeting.

This is issued with approval of competent authority.

Regards
Mohit
Acting CS

From: Mohit Seth

Sent: 13 November 2022 11:38 AM

To: rajiv.mishra@ptcindia.com; Pawan Singh -PFS <pawan.singh@ptcindia.com>; sushamanath@gmail.com; rnmisra1957@gmail.com; jayant@gokhalesathe.in; saksena.sushma@gmail.com; pankajgoel@ptcindia.com

Cc: Lalit Sethi <lalit.sethi@ptcfinancial.com>

Subject: Notice of 159th Board Meeting to be held on Sunday, 13th November, 2022 at 12:00 Noon

Sir/Madam,

May please find below notice of 159th meeting of Board of Directors of PFS is scheduled to be held on Sunday, 13th November, 2022 at 12:00 Noon at Board Room, PTC India Financial Services Limited, 7th Floor, Telephone Exchange Building, 8 Bhikaji Cama Place, New Delhi – 110066 issued on direction of chairman and approval of management.

Kindly make it convenient to attend the meeting.

Regards
Mohit
Acting CS



**Ref. No. CoS/PFS/BM-159th
November, 2022**

Date: 13th

Dr. Rajib K. Mishra, Chairman, PFS

Dr. Pawan Singh, MD & CEO, PFS

Smt. Sushama Nath, Director, PFS

Sh. Ramesh Narain Misra, Director, PFS

Sh. Jayant Purushottam Gokhale, Director, PFS

Sh. Devendra Swaroop Saksena, Director, PFS

Sh. Pankaj Goel, Director, PFS

Subject: - 159th Board Meeting of PTC India Financial Services Limited (PFS)

Sir/Madam,

We would like to inform that 159th meeting of Board of Directors of PFS is scheduled to be held on Sunday, 13th November, 2022 at 12:00 Noon at PTC India Financial Services Limited, 7th Floor, Telephone Exchange Building, 8 Bhikaji Cama Place, New Delhi – 110066 at a shorter notice on the instruction of the Chairman. The agenda for the meeting shall be sent separately.

The video- conferencing facility shall also be available for the meeting.

Kindly make it convenient to attend the meeting.

Thanking you, With Best Regards

**(Mohit Seth)
Acting CS**

From: Mohit Seth <mohitseth@ptcfinancial.com>

Sent: 02 December 2022 4:17 PM

To: Shweta Agrawal <shweta.agrawal@ptcfinancial.com>

Cc: Pawan Singh -PFS <pawan.singh@ptcindia.com>; Rajib Kr Mishra <rajiv.mishra@ptcindia.com>

Subject: Fwd: Resignation from the Board of PFS Ltd

Dear shweta

Fyn

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From: Sushma Saksena <saksena.sushma@gmail.com>

Sent: Friday, December 2, 2022 4:15:00 PM

To: Mohit Seth <mohitseth@ptcfinancial.com>

Subject: Resignation from the Board of PFS Ltd

Dear Sir,

Please find enclosed herewith my resignation letter.

Kindly put it before the BOD for acceptance.

Thanking you,

Yours sincerely,

DS Saksena

Ahmedabad
2 Dec 2022

The Board of Directors,
PTC India Financial Services Ltd.
New Delhi

Gentlemen,

The Board of Directors of PTC India Financial Services Ltd. had become dysfunctional after resignation of all independent directors in January, 2022. The Board of Directors of PTC (India) Ltd., the holding company, seconded four independent directors, including myself, to the Board of Directors of PTC India Financial Services Ltd., with the express mandate of bringing the Company back on even keel. The task ahead of us was a challenging one, given the fact that despite having a loan book of approximately Rs.10,000 crores, PTC India Financial Services Ltd. functioned with minimal staff, and only one whole-time time Director, since 2018.

I am happy to report that we, the Independent Directors, have successfully executed our mandate, in so far as:

1. The annual accounts for FY 2021-22 have been finalised;
2. An independent Forensic Audit has been completed which has looked into the circumstances of the resignation of the erstwhile independent directors, identified various defective governance practices and also pinpointed some possible instances of evergreening of loans;
3. A process to rectify the various governance flaws pointed out by the Forensic Auditor has been set in motion;
4. Process for recruitment of Director (Finance), a post lying vacant since 2018, has been initiated;
5. A reputed accounting firm has been identified to replace the retiring statutory auditor;
6. Three eminent persons have been selected and appointed as independent directors.

I would like to bring on record that the above tasks, particularly those at Sl. Nos. 1 to 3, have been accomplished in the face of considerable opposition by the management, which apparently, did not want the forensic audit to proceed. I have put the foregoing facts on record for the benefit of the shareholders, regulators and incoming independent directors.

I am resigning from the Board of Directors of PTC India Financial Services Ltd., with immediate effect. I would request the Board to kindly accept my resignation. The reasons for my resignation from the Board of Directors of PTC India Financial Services Ltd., are summarised below:

- 1) PTC India Financial Services Ltd., follows deficient governance practices, which are evidenced by the following;
 - A) contents of the resignation letters of Independent Directors in January, 2022
 - B) findings of forensic audit conducted between July 2022 and November 2022
 - C) non-constitution or delayed constitution of statutory committees that have resulted in penal actions by regulators;
 - D) not holding timely meetings of statutory committees that have resulted in penal actions by regulators;
 - E) calling meetings of the Board of Directors and committees at short notice without disclosing the agenda.

- 2) The management has adopted a counterintuitive definition of 'evergreening' to justify its past lending practices, which may attract unjustified liability for Independent Directors in the future.
- 3) The atmosphere in the Boardroom of PTC India Financial Services Ltd. was not conducive to healthy discussion, with the management sometimes pushing some agenda against the directions of regulators e.g., changing the constitution of a committee after being directed not to do so. Also, the management often, unilaterally, at a considerable cost obtains expert opinions to counter dissenting opinions, which is not a desirable option for any company, let alone a financially challenged one.

I have discussed my resignation with two of my co-directors viz. Mrs. Sushama Nath and Sri Jayant Gokhale. I completely agree with the views expressed by Sri Jayant Gokhale in his resignation letter dated 2 December 2022. Sri Jayant Gokhale, did great service to the company as a director and more particularly, as the chairman of the Audit Committee from April, 2022 to November, 2022.

With the induction of three independent directors, I can resign from the Board of PTC India Financial Services Ltd., without causing any loss to the Company, and I am doing so.

I confirm that the reasons given above are the only material reasons for my resignation and there are no other reasons behind my decision to resign.

With salutations and good wishes,

Yours faithfully,
DS Saksena

RESPONSE TO RESIGNATION LETTER OF MR. JAYANT GOKHALE

1. PTC India Financial Services Limited (*the Company*) has on 02.12.2022 at 8.47 PM received resignation letter from Shri Jayant Gokhale (*erstwhile ID*), whereby he has communicated his decision to resign from the Board of Directors of the Company (*the Resignation Letter*). It must be noted that prior to this, the Company received resignation letter from Sh. D.S. Saxena (*another erstwhile ID*) on 02.12.2022 at 4.15 PM.
2. On 03.12.2022, the Company has duly apprised the Stock Exchanges regarding such resignation. By way of the presents, the Company is setting out its comments/responses to the grounds levelled by the erstwhile ID while resigning.
3. The erstwhile ID was appointed to the board of the Company in the capacity of an Independent Director with effect from 29.03.2022. With effect from 19.01.2022, there had been no independent director on the board of the Company. As the Company could not hold its Board meetings in absence of Independent Directors on its board, PTC India Limited, the holding company recommended to appoint Independent Directors on the board of PTC India Ltd. as the Independent Directors of the Company. **The erstwhile ID was appointed on a temporary basis to facilitate PFS to start the Board proceedings and also to meet the regulatory compliance, including facilitating conducting valid Board Meeting, constitution of Committees and compliances thereof and selecting and appointing requisite number of new IDs in PFS Board.** The communication received from PTC India Limited is enclosed as Annexure 1.

This position is also duly reflected in the resignation letter tendered by Smt. Sushama Nath, erstwhile Independent Director of the Company. Smt. Nath was also an Independent Director on the board of PTC India Limited and was one among the four IDs appointed to the board of the Company on 29.03.2022. After the appointment of new IDs on 15.11.2022, she gracefully exited from the Board of the Company on 22.11.2022 stating that it is no longer incumbent upon her to continue on the Board of PFS since accounts of PFS for the year ended 31st March 2022 were approved, forensic audit report was submitted and considered for follow up action by PFS. (Copy of resignation letter of Mrs. Sushama Nath is enclosed as Annexure 2).

4. During his tenure, the erstwhile ID was the Chairperson of the Audit Committee, Chairperson of IT Strategy Committee and member of the Business Committee and Nomination and Remuneration Committee of the Board.
5. By way of the Resignation Letter, the erstwhile ID has levelled several allegations, which he deems to be instances of "Governance Failure", which are detailed at Annexure B to the Resignation Letter. The Company states that the allegations levelled in the Resignation Letter are false, misleading, frivolous and fabricated as detailed hereinafter. Admittedly, Mr. Gokhale on more than one occasion mentioned that he was new to this business and he needed to have better understanding of the same.
6. The Company categorically affirms that it holds itself to the highest standards of corporate governance. The allegations levelled in the resignation letters dated 19.01.2022 of certain independent directors were duly inquired into by various Regulators, including the Securities & Exchange Board of India, the Reserve Bank of India and the Ministry of Corporate Affairs. None of the Regulators have rendered any finding of contumacious conduct by the Company. The reference to the said resignations are entirely uncalled for and out of context.
7. The circumstances surrounding the appointment of Mr. Gokhale is set out above at Para 3. However, his conduct post his appointment has not reflected a non-partisan stand, which behoves an Independent Director. The conduct of Mr. Gokhale deeply hurt, not only the Company, but also the financial affairs of the parent company. **The Company vide its emails dated 08.09.2022 and 19.10.2022 had already intimated SEBI about the unprofessional conduct of Mr. Gokhale.**

8. Mr. Gokhale has mentioned about his duty to protect the interest of small and non promoter shareholders. **However, it is pertinent to mention that while being the audit committee chairman, the audit committee led by majority did not consider the financial results resulting into the shares of Company moving into Z category, erosion in the market capitalisation, loss of business for the company leading to reduction in its loan book – all causing substantial loss and concerns in the mind of the small and non promoter shareholders.** The Company has published its financial results for 3 quarters – 31st March 2022, 30th June 2022 and 30th September 2022 showing strong performance and profitability which have been taken positively by the stakeholders.
9. Mr. Gokhale, in his Resignation Letter, has set out the following grounds as the reasons for his decision to resign from the Company:
 - a. Controversy surrounding the appointment of the Forensic Auditor, Cooperation with the Forensic Auditor and consideration of the findings of the Forensic Auditor
 - b. Requests by the Board of Directors for consideration of agenda for adoption of the annual and quarterly accounts
 - c. Short Notice in Board Meetings
 - d. Appointment of IS Auditor
 - e. Risk Management

Re: Appointment of Forensic Auditor and Cooperation in the Forensic Audit – to be read as response to para 4, 7 and 8 of resignation letter

10. In para 4, 7 and 8, Mr. Gokhale has alleged that management did not co-operate with forensic auditor, placed limitations on scope of forensic audit and delayed the forensic audit work. It must be noted that Mr. Gokhale had *suo moto* chosen M/s. CNK & Associates LLP (CNK) who conducted the forensic audit. Forensic audit has since been concluded.
11. While the Company denies the allegations of Mr. Gokhale as regards the manner in which the appointment of CNK was undertaken by him, this issue received quietus in April 2022 itself, with the Company accepting Mr. Gokhale's decision and going ahead with CNK. Though audit committee decided that Mr. Gokhale and another Director shall finalise the terms, scope and fee of forensic audit but **Mr. Gokhale did not involve another director and unilaterally finalised the same and issued the same to forensic auditor.** The copy of document containing the scope of work, terms and conditions and fee was not even shared by Mr. Gokhale with any other member of audit committee or PFS officials. **Mr. Gokhale further instructed CNK to keep the terms of appointment as strictly confidential and in case of any doubt or clarification, the firm was instructed to discuss with Mr. Gokhale. Such acts were clearly in breach of transparency and ethics, which is hallmark of corporate governance.**
12. It is to be noted that while taking up the limited review of Q3FY22, the then statutory auditors insisted for a forensic audit of PFS and in absence of same they would issue a disclaimer opinion on the financial results. The management agreed to conduct a forensic audit since there was nothing to hide. An Agenda was accordingly submitted to the Audit Committee recommending appointment of a renowned firm, to be appointed as a Forensic Auditor. The Company had considered and evaluated the following Big 5 firms:
 - i. Ernst & Young LLP
 - ii. Deloitte
 - iii. KPMG
 - iv. GT
 - v. Alvarez & Marsal

Based on eligibility and discussions with statutory auditors, the Company identified Alvarez & Marsal to conduct forensic audit and submitted the same for audit committee's evaluation and consideration.

Had the Audit Committee been uncomfortable with such appointment, it should have undertaken a transparent process for such appointment. Instead, **Mr. Gokhale had suo moto approached CNK for their appointment as forensic auditors even before the audit committee meeting was held. He finalised the scope of work and issued the letter of award to it on the same day without involving another member of audit committee in violation of the decision taken in the audit committee meeting held on 26.04.2022. The communications containing the scope of work, terms and fees etc. made between CNK and Mr. Gokhale was not marked to any other member of the Audit Committee, or for that matter the officials of the Company.** Intimation was issued to the stock exchanges under the specific instructions of Mr. Gokhale, without so much as circulating the draft minutes of the meeting, much less finalization of the same.

13. It may be mentioned that there were complaints received from shareholders against CNK, alleging that its appointment was not done in a proper manner and CNK's independence was questionable (Copy of complaints attached as Annexure 3). The audit committee by majority certified the independence of the said forensic auditor by ignoring opinion of some of the members of audit committee that CNK was not validly appointed. In the meantime, there were instructions from SEBI that Board cannot be reconstituted without completion of forensic audit by CNK. Also, RBI directed the Company to complete the forensic audit in 4 weeks. Considering the tight timelines specified by regulators, the Board had no option but to continue with CNK as forensic auditor and his engagement letter was approved by Board on 16.07.2022.
14. The allegation regarding non-cooperation in the forensic audit is completely unfounded and has been adequately been dealt with in the Management Response to the Forensic Audit Report. However, Mr. Gokhale, has refused to even consider the same.
15. It must be noted that the scope of forensic audit was proposed by CNK in the draft engagement letter submitted by them to the Company on 27.05.2022. The said scope was considered in the Board meeting held on 16.07.2022 wherein Mr. Gokhale was also present and the same was approved by Board and the final engagement letter was signed by CNK and the Company on 19.07.2022. Thus, the allegation on scope limitation is frivolous, misleading and false. The scope involved
 - a. Review of stressed assets and minimum of 10% of total sanctions/ disbursements during 01.04.2019 to 31.03.2022 hereinafter referred to as review period. The sample size was to increase only in case of adverse results of review of first 10% sample.
 - b. 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.
“Material Impact” means any event which result in material adverse impact on financial position on the accounts of PFS and performed with sole motive of malafide intention / fraud wherein any such critical information was not disclosed to Audit Committee or Board and is in contravention of PFS policies or directions of the Board or statutory requirement, having significant impact on decision making related to such project /proposal.

The forensic auditor reviewed about 40% loan accounts of the Company in place of 10% sample size required as per engagement letter without providing any adverse results. They exceeded the scope of work by commenting on the corporate governance issues without ascertaining or establishing the material impact thereof.

In accordance with engagement letter, forensic auditor was required to discuss draft report with the management on a weekly basis which is a legally binding contractual provision. However, **the forensic auditor violated the same and did not discuss any finding / observation with the management on weekly basis. CNK did not comply with the engagement terms agreed in the executed engagement letter.**

16. The Company extended complete cooperation to the forensic auditor. The forensic auditor has never shared any specific instance of any non cooperation by the management during forensic audit work. In fact, forensic auditor refused to discuss any observation / finding with the management and has stated in their report that they are hesitant to do these discussions since the observations were against the same management. Thus, to the contrary non-cooperation was on the part of the forensic auditor. CNK has, further, mentioned the scope limitation in respect of matters which were not at all as per the agreed scope in the engagement letter.
17. The Engagement Letter executed between CNK and PFS duly set out the time period for completion of the forensic audit. There was a failure on the part of the forensic auditor to meet the same, as they sought to expand the scope of the audit beyond the scope of engagement and submitted the final report on 04.11.2022 as against original schedule of 28.08.2022.

Re: Alleged irregularities pointed out in Forensic Audit – to be read as response to para 6.1 and 6.2 of resignation letter

18. In para 6.1. and 6.2, Mr. Gokhale has alleged that management has challenged the concept of evergreening of loans and some directors questioned the intent and correctness of statutory auditor expressing a disclaimer. It must be noted that as per the scope, the forensic audit was to determine the impact on the financial position of the Company, however, forensic auditor has not reported any financial impact on the financial position of the Company.
19. The erstwhile ID is incorrect while referring to “evergreening” since forensic auditor has himself referred to the identified instances as “possible evergreening” in his views. The understanding of forensic auditor is contrary to the definition provided in the publication of Insolvency and Bankruptcy Board of India. There was no instance of evergreening. This fact was further confirmed by Lumineers, the alleged findings of “possible evergreening” was referred to (i) a Retired Chief Justice of India; (ii) former director of Power Finance Corporation Limited; (iii) Ernst & Young LLP (EY) and (iv) Cyril Amarchand Mangaldas (CAM). It may be mentioned that the legally literate and technically educated minds have advised that the findings of “evergreening” were not made out. The opinions obtained by the management were duly submitted to the Board, audit committee and the statutory auditors of the Company for their consideration.
20. All instances of ostensible irregularities pointed out in the forensic audit report have been duly answered and addressed by the management vide detailed management response. The management engaged an **external independent consultant M/s Ernst & Young LLP (EY) which independently verified** each finding and management response. Further, these responses were issued to the Forensic Auditor after receipt of preliminary report as well as the draft report which the Forensic Auditor chose to completely disregard. That apart, **the Forensic Audit Report does not disclose any material or financial impact and does not establish any malfeasance pertaining to corporate governance.**
21. Some of the Independent Directors also concurred that the forensic auditor has spent more than three months and has not reported any substantial findings that indicate any fraud has been committed by the Company, or there has been any embezzlement of funds or there could be any impact of the financial of the Company or fraudulent or mala fide acts in the Company. These views are also re-iterated in the independent review conducted by EY.

22. After detailed deliberations on the findings of the forensic audit report and external consultant's report, the **Board observed that no instance of fraud, embezzlement of funds mala fide intention on part of management, nor any financial impact had been identified in the forensic audit report.** This view of the Board was further backed by legal opinions obtained from Lumineers as the Former Chief Justice of India and Former Director Finance of Power Finance Corporation Limited.
23. The Company submitted the forensic audit report alongwith the management's response, independent consultants report and legal opinions obtained by SEBI. SEBI LODR stipulates for mandatory submission of forensic audit report alongwith management's response to the stock exchanges. There are no restrictions on sharing the independent consultants report and legal opinions obtained by the Company on the said forensic audit report which, being critical and important, were submitted in the interest of all shareholders to ensure transparency and enable informed and experienced view.

Re: Approval of Quarterly Financials – to be read as response to para 6.3, 6.4 and 6.5 of resignation letter

24. In para 6.3, 6.4 and 6.5. Mr. Gokhale has alleged that the management presented figures for provisioning which had to be increased after discussions in audit committee.
25. Admittedly a crucial responsibility of the audit committee is to review the financial statements pursuant to which the provisions to be included are recorded by the management and accordingly the financials are updated before submission to the Board for approval. This is a defined process and an acceptable norm. It must also be noted that determination of provision / expected credit loss (ECL) is a fairly complex and judgmental work based on various factors. In terms of SEBI LODR, audit committee is specifically required to review, with the management, the annual financial statements before submission to Board, with particular reference to major accounting entries involving estimates. Hence, it is incorrect to mention that such adjustments undermine the degree of reliability that can be placed on financial statements presented by the management. Any changes made in the provisions, pursuant to discussions in audit committee meetings, cannot be construed as lower reliability of financial statements presented by management after limited review / audit conducted by auditors. Further the facts presented in the resignation letter are incorrect as the net profit mentioned as Rs. 52 Cr, was Rs. 35 Cr. It seems that Mr. Gokhale has written this hurriedly without checking correct facts.

In regard to Q3FY22 results, the audit committee with the exception of Mr. Gokhale had resolved that it had reviewed the financial results with the management and submits the same to Board for consideration / approval. Contrary to this fact, Mr. Gokhale, Chairman Audit Committee impressed upon the then Company Secretary to issue a resolution that Q3FY22 results were forwarded by audit committee without approving or recommending the same which was objected to by another member of audit committee. However, Mr. Gokhale did not let even the draft minutes of the said audit committee issued to members for their comments, leave alone their finalisation

The change in financials for the quarter ended 31st December 2021 and the year ended 31st March 2022 was due to the following reasons.

For 31st December 2021 - The additional provision was made in case of two loan accounts

- a) Borrower-1, where for the purpose of calculating the provision, sustainable debt and net present value of expected realization of unsustainable debt has been considered as security value. However, the statutory auditors were of the view that considering the project performance during previous years, it is unlikely to recover any amount of unsustainable debt and NPV of unsustainable debt should not be considered as security value for the purpose of calculating the provision. Whereas, PFS management was of the view that considering the present scenario

where power prices has shot-up and there is a good chance of recovery of unsustainable portion as mentioned in resolution plan which was also rated RP4 by CRISIL. Post deliberation on conservative basis management agreed for non considering the NPV value of unsustainable debt as security value.

- b) Borrower-2 – In this loan account, claim amount has been considered as security value for the purpose of calculating the provision, however additional provision to make the total provision to 50% of loan outstanding was made on conservative basis as per RBI prudential norms for doubtful.

For 31st March 2022 - The additional provision was made in loan accounts of One Group.

- a) Provision was made as per ECL model. However, during audit committee meeting, matter of financial position of One Group as a whole was discussed and subsequent to the discussion, management in consultation with auditors made additional provision to make the total provision to 10% of loan outstanding of One Group.

The above additional provisions were made on conservative basis post detailed discussion in audit committee, this practice is being followed in previous period/ years as well, where project status of NPA and EWS loan accounts is being presented to audit committee to make their view on adequacy of provisioning. The accounts were considered and reviewed by the audit committee and thereafter were approved by the Board.

26. Having considered the detailed deliberations and views expressed by some Independent Directors, the Board advised Audit Committee meeting to be held at the earliest to consider and review the financial statements for the year ended 31st March 2022. The Board further felt that the forensic audit and approval of financial statements for the year ended 31st March 2022 may be delinked. **However, despite several requests by the Board for approval of the annual and quarterly audited financials for FY 2021-22, the Audit Committee by majority refused to review and consider the financial statements of the Company for the quarters ended 31st March 2022, pending completion of forensic audit, despite there being no such legal impediment to the same, resulting in continuing breaches to regulatory obligations of PFS.**
27. It may be noted that audit committee by Majority led by Mr. Gokhale, did not consider the financials despite Board's request and ultimately, considered and reviewed the financial statements for the year ended 31st March 2022 only after the completion of forensic audit in November 2022 despite there being no legal impediment for the same.
28. This resulted in serious adverse consequences – starting with freezing of promoters shareholding as the equity shares of the Company are listed on NSE and BSE, moving the equity shares to Z category. Apart from the same, the lenders were not willing to extend the credit lines in absence of audited financial statements for the year ended 31st March 2022, credit rating agencies kept the credit rating at watch, employee attrition was high and there was severe distrust amongst the individual and minority shareholders.
29. As mentioned in para 5 by Mr. Jayant Gokhale, he has been in touch with the Ex-statutory auditors. The statutory auditors were available in all audit committee meetings, despite that financial results were not considered by the audit committee led by majority. It may be noted that statutory auditors have now submitted their time and cost over runs aggregating to Rs. 2.11 crores and are seeking additional compensation for the same from the Company, which was even supported by Mr. Gokhale – Chairman Audit Committee despite there being no such proposal from the management.

Re: Short Notice for Board Meetings – to be read as response to para 6.6 of resignation letter

30. In para 6.6, Mr. Gokhale has alleged that meetings of Board and Committees were called at short notice and without proper agenda. In the aftermath of the resignation of its Directors in January 2022, the Company has been functioning under unprecedented conditions as is admitted by Mr. Gokhale himself. There were severe day to day challenges that required immediate resolution. **In the said situation the Board meetings were being called recurrently with the sole purpose of tackling the critical issues plaguing the company including placing of final accounts and getting approvals.** Considering the urgency of matters, it was only natural for the Company to call meetings at a shorter notice than usual. It is, however, entirely incorrect to stipulate that no proper agendas were being circulated for the meetings. The Agendas for the meetings were circulated in advance. Moreover, the Board and all its Directors were fully conversant with the urgency of these Meetings. It may be noted that Companies Act provides for calling of urgent meetings with presence of at least one Independent Director. Invariably, almost all the meetings called at shorter notice were attended by Mr. Gokhale who has also expressly consented to hold such meetings during roll call before any agenda was taken up.
31. In para 6.6.4, Mr. Gokhale has commented on the selection process of new independent directors. In fact, in the Board meeting held on 25th June, 2022, the Board only selected new candidates to be appointed as IDs but the appointments did not take place. Selection of such candidates had become crucial, the company having already faced serious consequences due to absence of ID's in past. Following the policy of the Company, the Independent Directors were given opportunity to recommend candidates to be considered for appointment as independent director. Mr. D S Saksena had already recommended one name for consideration. The details of candidates were already circulated to the NRC members prior to NRC meeting. On being objected by Mr. Gokhale, the agenda was taken up by Chairman as per the decision of the majority. Also in the said meeting, the NRC adopted a transparent process giving each Director equal opportunity to participate. During the NRC meetings, Mr. Jayant Gokhale and Mr. D S Saksena proposed additional names for consideration and participated in the decision making process. Therefore the allegation that the agenda was not urgent or there was any sort of procedural irregularity is wholly baseless and incorrect. It is pertinent to mention that Ms. Sushama Nath, independent director had already communicated that all the names circulated were Excellent choices. The then Company Secretary had in fact attended entire NRC meeting held on 25.06.2022 and it must be noted that the minutes of meetings record that the ex Company Secretary left the Board meeting since he was not feeling well and he requested to be relieved on immediate basis as he had already resigned and was accordingly permitted.
32. Further the allegation that there were inaccuracies in data provided for the NRC is incorrect on the grounds that it was clarified that the entire process was run by PTC India Limited and the PFS management did not have any documents, therefore such information as pointed out was not presented in the Agenda. Further based on discussion, the NRC deferred the agenda and instructed to obtain such information from PTC India Limited and place before the Board. Further, keeping into consideration the arm's length relationship between the two companies PTC and PFS, the Board decided that process of appointment of Director (Finance) & CFO should be run by PFS. Management has acted pro-actively and given open advertisement inviting applications for the post and selection of Director (Finance) & CFO is in progress.

Re: Appointment of Information System (IS) Auditors for FY 2022 – to be read as response to para 6.7 of resignation letter

33. So far as the replacement of IS Auditors is concerned, the Company while following established procedure had kept the Board/Audit Committee fully apprised of the fact that the earlier appointed agency had not even commenced the assignment despite numerous follow ups and communications to them. In such a situation the company, left with no alternative, was pushed to move to another reputed agency, Grant Thornton, which was appointed after following due process as per delegation of power. This was done in accordance with the delegation of authority in the Company and did not require approval of the audit committee and/or the Board.

34. The Company had no mala fide intentions in this regard. In fact, it was well within its rights to appoint the IS Auditor. Pertinently the IS Auditor has duly conducted the Audit. The IS Audit Report were presented to the audit committee and Mr. Gokhale, Chairman audit committee has not raised any complaints as regards the conduct of the IS Auditor, in discharge of its obligations.

Re: Sanctioning of proposals – to be read as response to para 6.8 and 6.9 of resignation letter

35. In para 6.8 and para 6.9, Mr. Gokhale has alleged that a deviation in the policy was taken by the Board for grant of credit to certain borrowers and the non-compliant proposals were pursued by the management. As per the decision of the Board, deviation in policy, if any, in the loan proposal requires approval of the Sanctioning Committee. Therefore, on need basis, proposals are put up to the sanctioning committee with deviation in policy to meet the businesses requirement. In the present case, the Business committee had the powers to approve the deviation in policy but it decided to bring up the matter before the Board for consideration and approval of the deviation. In the Board meeting, the proposal alongwith deviation in policy was approved with dissent of Mr. Gokhale. The Board has laid down the policies and it has the absolute power to make amendment / relaxation in the policy. Hence, the said allegation is highly imprudent and bereft of merit.
36. Further with regard to security, in the project lending PFS has first charge on multiple security such as charge on immovable property, movable assets, current assets, pledge of shares, assignment on project documents, DSRA etc. It may be noted that PFS has created security as mentioned other than charge on immovable property for which PFS allows timeline considering the time required for title search reports and procedural delays by Govt departments for creation of such security. Hence the observation is imprudent and bereft of merit.
37. As regards promoter equity, it was informed to the Business Committee, that the instant project is under Namami Gange (NMCG) of Government of India. Borrower was awarded the project under the JV having 74:26 shareholding in favor of the borrower company. However, after award of the contract, JV partner has gone into insolvency which has led to promoter equity capital limiting to Rs 1,00,000/- as any further infusion in the form of equity capital would require contribution from JV partner. The Concession Agreement does not allow the change in shareholding pattern during construction. Hence, promoter has infused ICDs for remaining promoter's contribution (i.e. 100% promoter contribution has been infused) which shows the commitment of the Promoter for implementation of the project. Further PFS has put restriction for any redemption of ICDs and condition for mandatory conversion into equity capital post receipt of change in shareholding approval from Authority. The proposal was discussed in the meeting and was approved by the business committee after stipulating additional safeguards which have been incorporated in the sanction terms as per the decision of the business committee including Mr. Gokhale. These decisions were noted in the board meeting also wherein Mr. Gokhale also participated. **It is highly inappropriate that having been a part of the decision, he is now raising as an afterthought and contradicting the Committee's decision including his own. The above matters were approved by the empowered Committee and Board and therefore, do not amount to any fraud or malfeasance,** As such, the observations made by Mr. Gokhale made in para 6.8, 6.9 and 7 are imprudent and bereft of merit.
38. The contents of the paragraph B.1.1 and B.7.4 relating to constitution of committees are factually incorrect. Basis the legal advice received, the management remains of the view that there was no embargo on it from changing the constitution of the committees of the Board, till 25.10.2022, when SEBI directed it to maintain status quo. If the Company acted in a manner which was legally prudent, the same cannot be labelled as "deficient governance practice". The decision of the Company to seek legal and expert advice can also not be labelled as "deficient governance practice". Neither of these circumstances justify an allegation that the atmosphere in the Board of the Company was not conducive to healthy discussions. In any case the matter has since been deliberated on and has reached quietus.

39. Insofar as the contents of Paragraph B.1.2 are concerned, the relevant communication/queries received from the regulatory authorities were addressed to the Company and were accordingly responded to by the Company. Since even the draft minutes of the meetings of audit committee were not got circulated by Chairman Audit Committee, the responses were issued based on the discussions in the Audit Committee, which were attended by management of the Company. As such, the queries from the regulatory authorities were duly brought to the notice of the Directors.
40. The circumstances surrounding Mr. Seth's decision to refuse continuation as the Company Secretary, was largely attributable to Mr. Gokhale's intemperate conduct. Such conduct coupled with a refusal on Mr. Gokhale's part to act constructively in the interests of the Company (including by refusing to finalise even a single minutes of meeting; castigating the Company Secretary in the course of meetings etc.) lead to the resignation of Mr. Seth as the acting Company Secretary. The same was appropriately responded to Mr. Gokhale by the Company informing him about his selective reporting. Mr. Seth eventually took back his resignation and continued to discharge the responsibility of Company Secretary and Compliance Officer till the new incumbent joined the Company. The Acting CS clearly mentioned in his email that there were repeated instances indicated by Board members for various issues which, in our opinion, are actions, to protect the interest of the company and other stakeholders including minority shareholders. As such, the contents of Paragraph B.2 do not indicate any governance failure.
41. It may be stated that the appointment and designation of Mr. Sanjay Rustagi is not in breach of the applicable reporting requirements of SEBI and he continues to be the CFO of the Company and as such, the contents of Paragraph B.3 do not indicate any governance failure
42. The contents of Paragraph B.4 regarding recording of minutes are incorrect. The recording of all Minutes were done in strict compliance with Secretarial Standards, without any bias. The standards specifically require dissent to be duly noted and accordingly, such requirement was complied with. The minutes duly reflect the actual proceedings, which would be evident from review and comparison of the same with the video recordings. It would not be correct to say that decisions taken at the Meetings were not duly reflected, or that the minutes did not adequately capture the rationale and reasoning. **As the Chairperson of the Audit Committee, finalisation of the minutes of its meetings was solely within Mr. Gokhale's control. In spite of several requests by the Board and member of audit committee, Mr. Gokhale did not finalise even a single minutes of audit committee meetings and gross violation of corporate governance was done by him.** It may be emphasized that there were approximately 11 audit committee meetings during the tenor of Mr. Gokhale as Chairman Audit Committee. Except for first two meetings held on 08.04.2022 and 26.04.2022, the draft minutes have even not been let to be circulated by Mr. Gokhale for comments of other members of audit committee. This fact of non finalisation of minutes has also been highlighted by statutory auditors in their audit report for the year ended 31st March 2022 which was reviewed when Mr. Gokhale was Chairman Audit Committee. In many cases, Mr. Gokhale commented on the draft minutes of Board / other committees after the such minutes were finalised and circulated. In any case, wherever Mr. Gokhale was discomforted by the manner in which minutes were recorded, his inputs were obtained and incorporated, as permissible under the Secretarial Standards. The contents of Para B.4 do not amount to "Governance Failure".
43. The contents of Paragraph B.5 are incorrect. As per standard industry practice all agenda are put up before the Board by the management and chairman / members have unfettered right to bring up additional agendas before the Board, the same practice was being followed in PFS. Further, on specific instructions a prior intimation of the agenda was duly being sent to the Audit Committee Chairman. It is therefore wholly erroneous to state that the dates and timing of the Meetings were being unilaterally decided without prior intimation to the Chairman or Audit Committee. The contents of Para B.5 do not amount to "Governance Failure".

44. Insofar as Paragraph B.6 relating to minutes of audit committee are concerned, the same reflects an attempt by Mr. Gokhale to deflect his responsibility to ensure issuance of the minutes of the Audit Committee, which he has failed to do, since taking over as its Chairperson. The meetings of audit committee often lasted for 3 – 6 hours and statutory auditors were called by Chairman Audit Committee in all these meetings apart from other side discussions between Mr. Gokhale and Statutory auditors. As required by him, the Draft Minutes for each meeting were duly prepared by the then Company Secretary and sent to Mr. Gokhale for approval. However, Mr. Gokhale, aside from simply remarking that the drafts were inadequate, made no attempts whatsoever to finalise the same. Mr. Gokhale's statement that it was not possible from him to listen to recordings is factually incorrect since based on his specific requests, the recordings were made available to him in Mumbai and company official travelled specifically for this purpose. In any case, as Chairman of the Audit Committee it was prime responsibility and prerogative of Mr. Gokhale to finalise the minutes irrespective of the time it takes. It may be seen that Mr. Gokhale was disinclined to incorporate the corrections/suggestions of other members of the Audit Committee, which were based on facts and actual discussions held during audit committee meetings. Nothing in Para B.6 amounts to a "Governance Failure", apart from the conduct of Mr. Gokhale, amounting to gross violation of corporate governance.
45. Insofar as the instance at Para B.7.1 regarding the allegation made by Mr. Gokhale that the resolution quoted in ACB was not circulated for 4 days despite his instructions, it may be noted that there was no such case related to audit committee meeting.
46. Given that there was no embargo by SEBI restricting the Company from reconstituting its committees, there was no question of misleading the Board in this regard. Mr. Gokhale himself wrote a frivolous email to SEBI seeking SEBI's intervention when the Board reconstituted the Audit Committee as there was no legal impediment to the same. Management has every step of the way taken all regulatory advice and suggestions with utmost caution and seriousness and has ensured compliance therewith. Even the advisory by SEBI to not change the structure and composition of Board was followed in letter and spirit. The contents of Paras B.7.2 and B.7.3 are therefore completely frivolous, and do not amount to "Governance Failure".
47. Insofar as Para B.7.3 is concerned, such disclaimers and limitations are completely standard. It has been confirmed by the external consultant, that the disclaimers and limitations in the report are standard terms and conditions incorporated in all reports and has no bearing on opinions and the final conclusions derived by it. The said consultant further confirmed that the facts mentioned in their note were based on independent review of supporting documents. This was duly informed to the Board. The contents of Para B.7.3 do not amount to "Governance Failure".
48. Insofar as Para B.7.5 is concerned, the Company was well within its right to seek legal guidance in the interest of the Company and in fact was forced to seek legal and expert opinions to counter the frivolous allegations. The contents of Para B.7.5 do not amount to "Governance Failure".
49. **Therefore, the allegations levelled by Mr. Gokhale fail to establish any deficient governance practices on the part of PFS as is borne out from the explanation tendered heretofore. To the contrary Mr. Gokhale's actions throughout his tenure as the Independent Director and the Chairman of the Audit Committee have been in violation of Corporate Governance norms and detrimental to the Company's interests. In fact, all acts of the Board and the Management have not only been by the good governing practices but the management has also been assiduous in protecting the interest of the stakeholders. It is pertinent to mention that as decided by the Board, management has already initiated process improvements across functions and committed to highest standards of financial proprietary and corporate governance.**
50. It must be noted that the Company has appointed Three (3) eminent independent directors on its Board. Three meetings of the new Board have taken place. The financial results for quarters ended

30th June 2022 and 30th September 2022 have been approved by the Board in its meeting held on 3rd December 2022 which present a profitable position. The Company held its investor and analyst meet on 5th December 2022 which has been taken positively by the investors / analysts. The Company is now up-to-date on regulatory matters and consequently, majority of the non-compliances resolved. It may be pointed out that despite the adverse circumstances created by the refusal of the Audit committee's to finalize accounts and delay in decision making, the Company's performance has been very good.

COMPANY'S RESPONSE TO THE RESIGNATION LETTER OF SHRI D.S. SAKSENA

1. PTC India Financial Services Ltd. (*the Company*) has on 02.12.2022 at 4.15 PM received a resignation letter from Shri D.S. Saksena (*erstwhile ID*), whereby he has communicated his decision to resign from the Board of Directors of the Company (*the Resignation Letter*). It must be noted that, the Company received resignation letter from Sh. Jayant Gokhale (*another erstwhile ID*) on 02.12.2022 at 8.47 PM.
2. On 03.12.2022, the Company has duly apprised the Stock Exchanges regarding such resignation. By way of the presents, the Company is setting out its comments/responses to the grounds levelled by the erstwhile ID while resigning.
3. The erstwhile ID, along with 3 other IDs (all being IDs on Board of PTC India Limited), was appointed to the board of the Company in the capacity of an Independent Director with effect from 29.03.2022, With effect from 19.01.2022, there had been no Independent Director on the board of the Company. As the Company could not hold its Board meetings in absence of Independent Directors on its board, PTC India Limited, the holding company recommended to appoint Independent Directors on the board of PTC India Ltd. as the Independent Directors of the Company. **The erstwhile ID was appointed on a temporary basis to facilitate PFS to start the Board proceedings and also to meet the regulatory compliance, including facilitating conducting valid Board Meeting, constitution of Committees and compliances thereof and selecting and appointing requisite number of new IDs in PFS Board.** The communication received from PTC India Limited is enclosed as Annexure 1.

The erstwhile ID himself recognises the temporary nature of this appointment. This position is also duly reflected in the resignation letter tendered by Smt. Sushama Nath, erstwhile Independent Director of the Company. Smt. Nath was also an Independent Director on the board of PTC India Limited and was one among the four IDs appointed to the board of the Company on 29.03.2022. After the appointment of new IDs on 15.11.2022, she gracefully exited from the Board of the Company on 22.11.2022 stating that it is no longer incumbent upon her to continue on the Board of PFS since accounts of PFS for the year ended 31st March 2022 were approved, forensic audit report was submitted and considered for follow up action by PFS. (Copy of resignation letter of Mrs. Sushama Nath is enclosed as Annexure 2).

4. During his tenure, the erstwhile ID was a member of the Audit Committee, CSR Committee and the Nomination and Remuneration Committee of the Board.
5. While the Company acknowledges the contribution of the erstwhile ID as stated in his letter – finalisation of annual accounts for FY2021-22, appointment of statutory auditor in place of retiring auditor, selection and appointment of three eminent persons as Independent Directors on Board of PFS, it is constrained to note that the reasons for resignation, which have been set out in the Resignation Letter, are factually not correct. To this end, it may kindly be noted:
 - a. The Resignation Letter incorrectly states that the Company has been functioning only with one wholetime director since 2018. It must be noted that the Company has Managing Director & CEO and had Director (Operations) till July 2021.
 - b. Forensic Audit of the Company was not a mandate of the Independent Directors. It was the Management of the Company which had voluntarily offered to undergo a forensic audit, pursuant to the discussions with the Statutory Auditors of the Company, to avoid disclaimers

in the Audited Financials. The management of the Company submitted the proposal to the audit committee in its meeting held on 26.04.2022 for appointment of forensic auditor.

- c. Finalisation of the annual accounts for FY 2021-22 was held up, on account of the Forensic Audit, and the refusal of Audit Committee by majority led by Chairman Audit Committee, itself to even consider it, pending completion of the Forensic Audit. In fact, the actions and inactions of the Audit Committee in this regard led to the scrips of the Company being marked “Z Category” by the Stock Exchanges, for failure to report the financial results for 2 consecutive quarters i.e. 31.03.2022 and 30.06.2022.
- d. The allegations in the resignation letters dated 19.01.2022, submitted by the earlier directors of the Company, have been duly inquired into and considered by various Regulators (i.e. SEBI, RBI and the MCA).
- e. The Forensic Audit was undertaken for a specific purpose. *De hors* its position that the observations on the governance of the Company were (i) beyond the scope of the Forensic Audit and (ii) materially incorrect, the Company has already undertaken steps to improve itself in the areas in which concerns were raised. This is admitted in the Resignation Letter itself.
- f. **It is pertinent to mention that 4 IDs on Board of PTC India Limited were appointed as IDs of the Company on a temporary basis to facilitate PFS to start the Board proceedings and also to meet the regulatory compliance, including facilitating conducting valid Board Meeting, constitution of Committees and compliances thereof and selecting and appointing requisite number of new IDs in PFS Board.** The management had proposed reconstitution of various statutory Committees in the first Board meetings after appointment of those IDs. As the appointment of IDs was for certain purpose, the PFS Board unanimously decided at that time to constitute only the audit committee and nomination and remuneration committee in April 2022.
- g. Meetings of the Board and Committees of the Board were called with due and adequate notice to all participants. In the aftermath of the resignation of its Directors in January 2022, the Company has been functioning under unprecedented conditions. There were severe day to day challenges that required immediate resolution. In the said situation the Board meetings were being called recurrently with the sole purpose of tackling the critical issues plaguing the company including placing of final accounts and getting approvals. Considering the urgency of matters, it was only natural for the Company to call meetings at a shorter notice than usual. It may be noted that Companies Act provides for calling of urgent meetings with presence of at least one Independent Director. Invariably, almost all the meetings called at shorter notice were attended by Mr. Saksena who has also expressly consented to hold such meetings during roll call before any agenda was taken up and duly recorded in minutes. Whenever independent director had stated that they had paucity of time, the consideration of agenda was invariably deferred, except in exceptional circumstances and some important agenda could not be considered by Board even after 6 months from date of their first placement.
- h. The erstwhile ID is incorrect while referring to “evergreening” since forensic auditor has himself referred to the identified instances as “possible evergreening” in his views. The understanding of forensic auditor is contrary to the definition provided in the publication of Insolvency and Bankruptcy Board of India. There was no instance of evergreening. This fact was further confirmed by Lumineers, the alleged findings of “possible evergreening” was referred to (i) a Retired Chief Justice of India; (ii) former director of Power Finance

Corporation Limited; (iii) Ernst & Young LLP (EY) and (iv) Cyril Amarchand Mangaldas (CAM). It may be mentioned that the legally literate and technically educated minds have advised that the findings of “evergreening” were not made out, it is not understood why the erstwhile ID would allege that such position is “*counterintuitive*”. Further, given that the alleged “possible evergreening” as per the forensic audit report admittedly pertain to the “past lending practices” of the Company, no risk of liability can indeed affix upon future Independent Directors, including the erstwhile ID. The opinions obtained by the management were duly submitted to the Board, audit committee and the statutory auditors of the Company for their consideration.

All instances of ostensible irregularities pointed out in the forensic audit report have been duly answered and addressed by the Company vide detailed response duly considered and taken note by the Board including Mr. Saxena. The management engaged an external independent consultant M/s Ernst & Young LLP (EY) which independently verified each finding and management response. Further, the responses were issued to the Forensic Auditor after receipt of preliminary report as well as the draft report which the Forensic Auditor chose to completely disregard. That apart, the Forensic Audit Report does not disclose any material or financial impact and does not establish any malfeasance pertaining to corporate governance. The management’s detailed response was submitted with stock exchanges.

- i. Basis the legal advice received, the management remains of the view that there was no embargo on it from changing the constitution of the committees of the Board, till 25.10.2022, when SEBI directed it to maintain status quo. If the Company acted in a manner which was legally prudent, the same cannot be labelled as “deficient governance practice”. The decision of the Company to seek legal and expert advice can also not be labelled as “deficient governance practice”. Neither of these circumstances justify an allegation that the atmosphere in the Board of the Company was not conducive to healthy discussions. PFS has complied with all directions received from SEBI in this regard.
6. The Company respectfully submits that the allegations of “*deficient governance practice*” are incorrect, and indeed not borne out from the allegations in the Resignation Letter. For reasons best known to the erstwhile ID, he has chosen to reargue issues which have received regulatory *quietus*. In fact, as a consequence of these allegations, the Company has already suffered decline in share prices and substantial loss to shareholders including minority and small shareholders.
7. Further, the Company notes that by way of the Resignation Letter, the erstwhile ID has sought to approve the contents of the resignation letter submitted by Shri. Jayant Gokhale which was not submitted by Shri. Jayant Gokhale till that time to PFS. Incidentally, both the erstwhile ID and Shri Gokhale were part of the Audit Committee, with the latter as its Chairperson. Since their appointment to the Audit Committee, no minutes of audit committee meetings were approved, even till their resignation. The erstwhile ID has chosen to completely overlook this, despite being pointed out several times in audit committee and Board. This leads to an unavoidable conclusion that the erstwhile ID has set out only farcical grounds for his resignation, with a view only to lend support to Shri Gokhale, when the true reason for his resignation is the completion of the purpose of his appointment to this Company.
8. The Company is separately submitting its response/comments to the letter of resignation submitted by Shri Gokhale.

From: [Rajiv Maheshwari](#)
To: [Vishal Goyal](#)
Cc: [Pawan Singh -PFS](#); [Rajiv Kr Mishra](#)
Subject: appointment of IDs in PFS
Date: Monday, March 28, 2022 3:58:34 PM

Dear sir,

The Board of Directors of PTC India Limited (PTC) in their Board meeting dated 28th March, 2022 have recommend the names of following Independent Directors (IDs) of PTC on the Board of PFS as common IDs on a temporary basis to facilitate PFS to start the Board proceedings and also to meet the regulatory compliance, including facilitating conducting valid Board Meeting, constitutions of Committees and compliances thereof and selecting and appointing requisite number of new IDs in PFS Board:-

1. Shri D. S. Sakena, ID
2. Shri R N Misra ID
3. Shri Jayant Gokhale , ID
4. Ms. Sushama Nath , ID (subject to her consent)

Further, WTD and CMD (Addl. Charge), PTC is authorized to take any action to implement the above.

You are requested to take necessary actions in this regard.

Thanking you,

Yours faithfully,

Rajiv Maheshwari
Company Secretary , PTC India Limited

SUSHAMA NATH
INDEPENDENT DIRECTOR

22nd November, 22

To

The Chairman
PTC India Financial Services Limited (PFS)
7th Floor, Telephone Exchange Building,
8 Bhikaji Cama Place,
New Delhi - 110006

Subject: Resignation as Independent Director from the Board
of PTC India Financial Services Limited (PFS)

Sir, As you are aware, consequent upon the resignations
of its independent Directors in January 2022, the Board of PFS
was unable to function.

The consolidated accounts of PTC for the 3rd and 4th
quarters and for the financial year ending March 2022 could
not be passed in the absence of the financial accounts
of the PFS for the same period.

Therefore, the Board of PTC India Ltd recommended to the
PFS Board that 4 of its Independent Directors could be appointed
as Independent Directors of PFS to resolve this conundrum.

I was one of the 4 independent directors so appointed
by PFS. The accounts of PFS for the year ending March 2022, have
now been passed. The forensic audit report has also been submitted
and considered for necessary follow up action by PFS.

It is, therefore, no longer incumbent upon me to continue
on the Board of PFS. I have also crossed the eligible age
for continuing as Independent Director as per the accepted policy
of the PFS Board.

Hence I am tendering my resignation with immediate
effect from the Board of PTC India Financial Services Limited (PFS).
Regards,

S. Nuth
(SUSHAMA NATH)
Independent Director PFS

Canceling of illegal appointment of CNK and Associates LLP, as a Forensic Auditor by PTC Financial Services (PFS).

Bhuvnesh Chauhan <bhuvneshchauhan@gmail.com>

Wed 08-06-2022 17:46

To: Rajib Kr Mishra <rajiv.mishra@ptcindia.com>;skmohanty@sebi.gov.in <skmohanty@sebi.gov.in>
Cc: chairperson@sebi.gov.in <chairperson@sebi.gov.in>;ravindran@sebi.gov.in <ravindran@sebi.gov.in>;raghurajmr@ias.nic.in <raghurajmr@ias.nic.in>;parminderchopra@hotmail.com <parminderchopra@hotmail.com>;vksingh@powergridindia.com <vksingh@powergridindia.com>;hshekhar@nhpc.nic.in <hshekhar@nhpc.nic.in>;jayant@gokhalesathe.in <jayant@gokhalesathe.in>;sushamanath@gmail.com <sushamanath@gmail.com>;saksena.sushma@gmail.com <saksena.sushma@gmail.com>;rnmisra1957@gmail.com <rnmisra1957@gmail.com>;mundrasubhash@gmail.com <mundrasubhash@gmail.com>;preetisaran@yahoo.com <preetisaran@yahoo.com>;sangeetakaushik@ntpc.co.in <sangeetakaushik@ntpc.co.in>;pawan.singh@ptcfinancial.com <pawan.singh@ptcfinancial.com>;Pawan Singh -PFS <pawan.singh@ptcindia.com>

Dear Sirs,

I, Bhuvnesh Singh Chauhan am a shareholder of PTC Financial Services Limited (PFS) a listed company.

I understand that on SEBI's direction four independent directors of PTC, the holding company of PFS, were appointed as independent directors of PFS. From newspaper reports and stock exchange filings, I understand that PFS has appointed Messers CNK and Associates LLP, an unknown CA Firm of Mumbai to conduct a forensic audit of PFS. This appointment is illegal and must be canceled for the following reasons:

1. The firm was appointed without calling or receiving any proposal from a Big 4 or reputed competitor firm. To the best of my knowledge, no RFP was issued, no competitor firms were invited to submit proposals and there was no price discovery nor even negotiation with CNK. I believe the appointment was made without even an offer from CNK.
2. CNK has not even been empanelled by SEBI for conducting forensic audits.
3. CNK is conflicted and is not independent. I have learnt that it has connections with an existing Independent Director, Kamlesh Vikramsey. He was a Director on the Board of GIC Housing in 2014 when CNK was the Statutory Auditor. Moreover, the manner in which its appointment was rushed through without following any process or transparent procedure raises suspicion on the motives of those responsible for this appointment.

This is violative of all norms of corporate governance and ethics. The Board of PFS and especially the Independent Directors therein, are expected to exhibit the highest level of fiduciary responsibility, transparency, probity and complete independence and objectivity. However, the conduct in appointing CNK for such a critical report, without considering engagement of eminent CA firms with unblemished reputation, shows an abdication by the Board of PFS of their fiduciary responsibility towards the minority shareholders.

In the interest of us minority shareholders, I request you to kindly order an enquiry into the aforesaid manner of appointment of Forensic Auditor and direct the Board of PFS to cancel this

illegal appointment and to select and appoint an eminent and independent firm to conduct the forensic audit through a transparent selection process.

I request that the above illegal selection process of the Auditor appointed for Forensic Audit be investigated to ensure that the same in no ways violates norms of ethics, transparency and corporate governance and that our interests are protected. In addition, in the interests of highest corporate governance, protecting minority shareholders and preventing such blatant misuse of powers, those responsible for this corrupt appointment should be banned from being on any Board and their licences revoked.

Yours faithfully

Bhuvnesh Singh Chauhan

2 June 2022

RAJIB KUMAR MISHRA

Chairman,

PTC India Financial Services Limited

7th Floor, Telephone Exchange Building,

Bhikaji Cama Place,

New Delhi 110 066

Dear Sir,

Sub: Beating all ethical standard of transparency, integrity and corporate governance – Coalition of forensic auditor CNK with Ex-Independent Director – Kamlesh Shivji Vikamsey

I am the shareholder of your company and final stakeholder who have to bear all pain of any mischief in the company by the management or independent directors.

The resignation of independent directors highly disappoints us and our capital has been eroded. We thought that the new board will take up the matter in all possible transparent manner but the way forensic auditor was selected become a knee jerk shock to us. Market news is selected forensic firm not qualify in any criteria and not did any forensic work in past.

The management selected auditor without any assessment of his creditability or link with the management or ex-directors whose actions is to be investigated. With publically available information, we found no fair and transparent process followed in selection of forensic auditor and decision was taken arbitrarily. Big 4 / 6 / 10 -- having high level of creditability ignored and unknown name CNK & Associate preferred over well-established repute names. Surprisingly – CNK is neither a creditable name nor in list of SEBI empaneled forensic auditor.

Our deep digging revealed another shock and fear to us when we found CNK have years of association with one key ex-independent director in question – Kamlesh Shivji Vikamsey and publically supported election campaign of Kamlesh Shivji Vikamsey and his brother / partners and endorsed mentorship of Kamlesh Shviji Vikamsey.

Has the soul of new board died while defeating all transparency and integrity and selected a firm as forensic auditor who is co-author in numerous publications with brother / partner of ex-independent director – Kamlesh Shivji Vikamsey whose allegation is under question. Do you think, we shareholders are fool and not understand your pranks in selecting out of way a firm

who has been granted numerous assignment in companies in which Kamlesh Shivji Vikamsey was independent director and audit committee Chairman (one example GIC).

Sir, enough is enough, now shareholder are knowing their rights and how to teach lesson to mischief actions of any board, we will go to SEBI, RBI, High Court, Media , Social Media to ensure justice and transparency in system. There is numerous evidence available with us stating coalition of CNK with Kamlesh Shivji Vikamsey which will be made public. As first step we are writing to you to correct your mischief actions else be ready to face our voice for justice.

Yours Truly



Deprived / Cheated Shareholder

A K Singh

A 420 LGF , Block A , Defence Colony , New Delhi 110 024

Encl :

- 1) Letter of CNK publically endorsing candidature of Kamlesh Shivji Vikamsey and his brother. Publically available https://slidelegend.com/letter-for-pdf-khinji-kunverji-co_59d9175b1723dde581d07d05.html
- 2) Publication co-authored. There are many publication like this. Publically available <https://www.bcasonline.org/BCA%20Golden%20Content%202018-19/Articles/Jul%202018/23%20-%2036%20Accounting%20Past%20present.pdf>
- 3) Joint seminar of CNK with Vikamsey <https://docplayer.net/159183721-Highlights-for-the-year.html>
- 4) Joint Speaker with Kamlesh Brother <https://twitter.com/bcasglobal/status/1022061168893079552>
- 5) List continue – more than 1000 association – cheating to innocent shareholders.

CC:

RAGHURAJ RAJENDRAN	MADHAV	PARMINDER CHOPRA	VINOD KUMAR SINGH
D 1/23 RABINDRA NAGAR NEW DELHI 110 003		HOUSE NO. 196 GUJRANWALA TOWN PART 2 DELHI 110 009	HOUSE NO. 70 SECOND FLOOR WHITWOOD MALIBU TOWN GURGAON

HIMANSHU SHEKHAR 302 URJA BIHAR SECTOR 45 AMARNAGAR FARIDABAD HARYANA 121 003	JAYANT GOKHALE ICICI APOORTI 79 ANAND PATIL ROAD GOKHALE ROAD DADAR MUMBAI MAHARASHTRA 400 028	HARYANA 122 001 SUSHAMA NATHI D 95 THIRD FLOOR ANAND NIKETAN NEW DELHI 110 021
DEVENDRA SWAROOP SAKSENA 202 RAJSI APTS RAJVANSH COMPLEX NEAR JUDGES BUN NEAR BODAKDEV FIRE STATION BODAKDEV AHMEDABAD GUJRAT 380 054	RAMESH NARAIN MISRA 6026 POCKET 8 SECTOR B VASANT KUNJ DELHI 110 070	S S MUNDRA 23 FLOOR A 2301 LANDS END ELIZABETH HOSPITAL MUMBAI MAHARASHTRA 400 006
PREETI SARAN HOUSE NO. 5 FIRST FLOOR STREET A - 2 VASANT VIHAR I SOUTH WEST DELHI DELHI 110 057	SANGEETA KAUSHIK E 332 GREATER KAILASH 2 SOUTH DELHI DELHI 110 048	PAWAN SINGH 85 BLOCK D FIRST FLOOR PANCHSHEEL ENCLAVE SOUTH DELHI DELHI 110 017
PANKAJ GOEL H 271-71 2 ND FLOOR SECTOR 16 ROHINI DELHI 110 089	SANTOSH KUMAR MOHANTY SECURITIES AND EXCHANGE BOARD OF INDIA PLOT NO. C4-A G BLOCK SEBI BHAWAN BANDRA KURLA COMPLEX BANDRA EAST MUMBAI 400 051	SSK PRADHAN CHIEF GENERAL MANAGER RESERVE BANK OF INDIA 6 SANSAD MARG AREA NEW DLEHI 110 001

November 9, 2015



Dear Professional Colleague,

We are glad to inform that, at our request CA Nilesh Shivji Vikamsey has agreed to re-contest the Central Council Election 2015 of the Institute of Chartered Accountants of India (ICAI)

Nilesh, a senior partner of Khimji Kunverji & Co, Chartered Accountants, has been professionally and socially groomed under able guidance of CA Shivji K Vikamsey (past Central Council Member) and CA Kamlesh S Vikamsey (past President, ICAI and CAPA), who have selflessly served the profession at National and International levels

Vikamseys' have, and continue to contribute significantly for the cause of the profession, members and students. Their independence, integrity, intelligence, transparency, technical acumen, and leadership qualities have been established through proactive hard work for the cause of the profession and society at large. Nilesh's qualities of using technical and academic excellence, courage to speak and ability to convince has been used to enhance the decision making process at ICAI and various other forums, thereby enhancing the overall dignity and sovereignty of the profession. His undoubted dedication and perseverance ensures that new developments and amendments, having a bearing on the profession, are effected only after detailed and considered deliberations, in the overall interest of the profession and industry

As a member of the Central Council, Nilesh has delivered positive results for the profession and we strongly recommend you to cast your first preference vote in his favour. Kindly also request your friends to cast their first preference vote in his favour and ensure that he is elected to the Central Council with a thumping majority

A brief Profile of Nilesh is enclosed. In case you are planning to write to Nilesh on areas of professional interest, you could e-mail your views at nilesh@kic.in or speak to him on 09323332552

Thanking you

Yours sincerely,

Suresh Prabhu Hon. Union Minister of Railways	Anand Rathi Chairman Anand Rathi Group	Shivji Vikamsey Partner Khimji Kunverji & Co	Nimesh N Kampani Chairman & MD J M Financial Group	Vallabh Bhansali Chairman Enam Group
Rakesh Jhunjhunwala Partner Rare Enterprises	Nirmal Jain Founder and Chairman IIFL Holdings Limited	Manish Chokhani Chairman TPG Growth India	Shashikant P Tulsian CEO & Editor www.sputulsian.com	K K Maheshwari MD Grasim Industries
D D Rathi Former CFO Grasim Industries	Adesh Gupta Former CFO Aditya Birla Nuvo	Sushil Agarwal Whole Time Director & CFO Grasim Industries	K C Jhanwar MD Aditya Birla Chemicals	K C Birla Senior President UltraTech Cement
Akshaya Moondra CFO Idea Cellular	Pinky Mehta CFO Aditya Birla Nuvo	Mayank Bathwal CEO Designate Aditya Birla Health Insurance	R K Bansal Executive Director IDBI Bank	B R Jaju CFO DB Power Ltd
Mahesh Gupta Group Managing Director Ashok Piremal Group	Ninad B Karpe MD & CEO Aptech	Sunil Makharia President - Finance Lupin	I M Lachawala Senior Partner M/s Lachawala & Shah	Rameshwar Lal Kabra Managing Partner R Kabra & Co
Sumer Surana Partner Sumer Surana & Co	Vijay Agarwal Partner Agarwal Vijay & Associates	Kamlesh S Vikamsey Past President ICAI & CAPA	Shyam Malpani Shyam Malpani & Associates	Rajiv Luthia R J Luthia & Associates
A R Krishnan A R Krishnan & Co	Vipul Choksi Past Chairman WIRC of ICAI	B C Jain Past Chairman WIRC of ICAI	Sudit K Parekh Founder Partner & Chairman Sudit K Parekh & Co	Himanshu Kishnadwala Partner CNK & Associates, LLP

Vikamsey Nilesh Shivji - Candidate for Central Council Election of ICAI: December 4 and 5, 2015 (in Mumbai, Thane, Pune, Ahmedabad and Surat and on December 5, 2015 in other cities)

HIMANSHU KISHNADWALA | NILESH VIKAMSEY
Chartered Accountants

EVOLUTION OF ACCOUNTING

1 Introduction

1.1 Financial accounting and reporting remains the core tool of entities for communication with its stakeholders. It is the semantics for such communication. Accounting standards are the grammar of such language used by entities in such communication. The separation of ownership and management in the growing businesses and modern day complexities added the importance of timely and accurate communications. The grammar (i.e. Accounting Standards) blends uniformity in reporting and facilitation of unambiguous communication with the variety of stakeholders including but not limited to owners/shareholders, employees, regulators, trade/business relations, revenue authorities etc.

1.2 The subject of accountancy and its importance has a long history in India e.g. a treatise on economics and political science titled 'Kautilya's (also known as Chanakya) Arthshas'thra', has elaborate prescriptions on accounting (and accountability) aspects for a treasury and government which have features of universal utility. In line with the evolution and changes in the scale and texture of economies and society, financial reporting and accounting standards have also evolved and witnessed path-breaking changes.

1.3 The earliest treatise on accounting is generally thought to be Pacioli's Summar of 1494. However, Bahikhata (a double-entry system of bookkeeping) predates the 'Italian' method by many centuries. Its existence in India prior to the Greek and Roman empires suggests that Indian traders took it with them to Italy, and from there the double-entry system spread through Europe, which

then evolved itself to accrual from cash and gradually to present day modern reporting.

2 Evolution of accountancy in major jurisdictions

2.1 America:

After the U.S. stock market crash in 1929, many investors and market participants felt that insufficient and misleading accounting and reporting had inflated stock prices that eventually crashed the stock market followed by the Great Depression. Whether that perception was true or not is a separate debate, but those feelings made accounting world more alert and agile about its role and the continuing pressures on the accounting profession to establish accounting standards prompted the American Institute of Accountants (now known as the AICPA) and the New York Stock Exchange to review financial reporting requirements.

2.2 A few years later, the Securities Act of 1933 and the Securities Exchange Act of 1934 were passed into law to restore investor confidence, which set forth the accounting and disclosure requirements for the initial offering of stocks and bonds and for secondary market offerings respectively.

2.3 The 1934 Act also created the U.S. Securities and Exchange Commission (SEC), which was mandated with standard setting of financial accounting and reporting for publicly-traded companies. However, the SEC while keeping the power to set standards chose to delegate its rule-making responsibilities to the private sector. This means that if the SEC did not conform to a specific standard issued by the private sector, it had the

