

Regulators to seek PTC India Fin reply on exit of directors

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The exodus of independent directors at PTC India Financial Services Ltd over corporate governance issues has prompted several regulators to seek a response from the company on the allegations levelled by the directors, said two people with direct knowledge of the matter.

The Securities and Exchange Board of India (Sebi), the Reserve Bank of India, and the corporate affairs ministry are in the process of writing to the non-bank lender to power projects, seeking the company's response to the exits of directors, one of the two people cited above said. BSE Ltd and National Stock Exchange of India Ltd (NSE) have already sought replies, the person added.

Independent directors, who made up half of the board at PTC



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India Financial, resigned on Wednesday, sending the stock plunging by as much as 19% when markets opened on Thursday. Shares of parent PTC India also felt the heat, plummeting 11%.

In a bid to assuage investors, the lender said the matter will be "addressed at the board level and subsequent updates will be communicated to all stakeholders

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appropriately". In a detailed statement later in the day, the management refuted the allegations. "We refute the allegations by the outgoing directors, which were due to our adherence to best corporate governance practices under guidance of promoter, regulator and the government of India," it said.

Asked about the company's response to the questions raised by regulators, a senior executive at PTC India Financial said the company will respond "when references are made". Emails sent to the spokespeople for PTC India Financial, Sebi, RBI and MCA did not elicit a response.

Separately, PTC India, in a statement to exchanges, said it is committed to corporate governance of the highest standards in its functioning as well as of its units.

"We are closely monitoring the situation and observed that there are differences of opinion at operation and board level of PFS on few issues. These issues are being looked into by a senior-level committee of the company. We have taken initiatives to address the governance issues. We are committed towards streamlining all operational processes and adopting best available practices of an

NBFC," said PTC India.

An after-market hours filing by PTC India Financial on Wednesday said independent directors Kamlesh Vikamsey, Thomas Mathew and Santosh Nayar resigned, highlighting "instances of serious lapses in corporate governance". Among the issues raised by the directors was the appointment of Ratnesh as finance director and chief financial officer. The directors alleged the chairman and managing director put on hold the joining of Ratnesh even after his appointment was concluded via a "board-run process".

Describing another instance of "misleading" the investors and the board, Vikamsey said fraud committed by a borrower, IL&FS Tamil Nadu Power (ITPCL), was not reported to the board. "The fact of fraud is camouflaged in the annexure," Vikamsey alleged.

An ITPCL spokesperson said: "ITPCL loan account has not been declared a fraud by any lender till date and, as such, has not been reported as a fraud

in RBI CRILC reporting. Any such information/mention of the account being declared as fraud is factually incorrect."

Another reason that triggered the sudden exits pertained to a loan account of NSL Nagapatnam Power. It was alleged that the forensic report on the loan account of NSL Nagapatnam Power Loan of ₹125 crore was withheld from

the board for two years and was disclosed only in December 2020.

Further, changes were made to terms of a ₹150-crore loan for a road project without board approval. The

directors said a panel of two independent directors had suggested the Nagapatnam issue be reported to RBI "as a suspected fraud".

The resignation letters give the impression that the board was being run like the personal fiefdom of the chairman and managing director, said Shriram Subramanian, managing director of Ingovern Research Advisory Services, a proxy adviser.

"There does not appear to be any accountability to any of the

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shareholders and more so to the 64.99% shareholder—PTC India. The directors instead of resigning could have asked the CMD to step down. But since the board was made up of 6 individuals, the casting vote was with CMD. The only way this goes forward is through regulatory action; the board has become defunct with CMD under doubt and independent directors out of the board," said Subramanian.

Amit Tandon, chief executive of Institutional Investor Advisory Services India Ltd, said the issues raised by the directors point to a deeper malaise in how the company was run.

"What we have heard so far is worrying; therefore, it will be good to get the company's perspective. Equally critical will be to understand the role that PTC, the parent, has played," said Tandon.

J.N. Gupta, co-founder of Stakeholder Empowerment Services, said that this sort of an action by independent directors bodes well for governance as the directors in the true sense have asserted their independence. "However, instead of resigning, the directors could have made reference to the regulators about these allegations," he said.