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OFFERING CIRCULAR

Power Finance Corporation Limited

(incorporated with limited liability in the Republic of India)

U.S.$1,000,000,000
Medium Term Note Programme

On 18 October 2012, Power Finance Corporation Limited (the **Issuer** or **PFC**) established a U.S.$1,000,000,000 Medium Term Note Programme (the **Programme**, as amended, supplemented or restated) and prepared an offering circular dated 18 October 2012. This Offering Circular updates the Programme and supersedes any previous offering circular describing the Programme. Any Notes (as defined below) issued under the Programme on or after the date of this Offering Circular are issued subject to the provisions described herein. This does not affect any Notes issued before the date of this Offering Circular.

Under the Programme, the Issuer may from time to time issue notes (the **Notes**) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

Notes may be issued in bearer or registered form (respectively, **Bearer Notes** and **Registered Notes**) The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.$1,000,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Summary of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a **Dealer** and together the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the **relevant Dealer** shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe to such Notes.

Approval-in-principle has been granted for the listing and quotation of Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the Singapore Exchange Securities Trading Limited (the **SGX-ST**). Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST (the **Official List**). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Admission to the Official List and quotation of any Notes on the SGX-ST are not to be taken as an indication of the merits of the Issuer, the Programme or the Notes. Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will be set out in a pricing supplement (the **Pricing Supplement**) which, with respect to Notes to be listed on the SGX-ST, will be delivered to the SGX-ST on or before the date of issue of the Notes of such Tranche.

The Programme provides that Notes may be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes.

The Issuer may agree with any Dealer and the Trustee (as defined herein) that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event (in the case of Notes intended to be listed on the SGX-ST) a supplementary Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

See "*Investment Considerations*" for a discussion of certain factors to be considered in connection with an investment in the Notes.

Notes to be listed on the SGX-ST will be accepted for clearance through Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**).

Each Tranche of Bearer Notes of each series (as defined in "*Form of the Notes*") will initially be represented by either a temporary bearer global note (a **Temporary Bearer Global Note**) or a permanent bearer global note (a **Permanent Bearer Global Note** and, together with a Temporary Bearer Global Note, the **Bearer Global Notes**, and each a **Bearer Global Note**) as indicated in the applicable Pricing Supplement, which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depositary (the **Common Depositary**) for Euroclear and Clearstream, Luxembourg.

On and after the date (the **Exchange Date**) which, for each Tranche in respect of which a Temporary Bearer Global Note is issued, is 40 days after the Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) definitive Bearer Notes of the same Series.

Registered Notes sold in an "offshore transaction" within the meaning of Regulation S (**Regulation S**) under the U.S. Securities Act of 1933, as amended (the **Securities Act**), which will be sold outside the United States (the **U.S.**) and, in certain circumstances, only to non-U.S. persons (as defined in Regulation S), will initially be represented by a global note in registered form, without receipts or coupons, (a **Registered Global Note**) deposited with a common depositary for Euroclear and Clearstream, Luxembourg, and registered in the name of a nominee of such common depositary. Prior to expiry of the distribution compliance period (as defined in Regulation S) (the **Distribution Compliance Period**) (if any) applicable to each Tranche of Notes, beneficial interests in a Registered Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person, save as otherwise provided in the Terms and Conditions of the Notes and may not be held otherwise than through Euroclear or Clearstream, Luxembourg.

The applicable Pricing Supplement will specify that a Permanent Bearer Global Note will be exchangeable for definitive Bearer Notes in certain limited circumstances.

This Offering Circular has not been and will not be registered as a prospectus or a statement in lieu of a prospectus in respect of a public offer, information memorandum or private placement offer letter or any other offering material with the Registrar of Companies in India in accordance with the Companies Act, 1956, as amended and replaced from time to time, the Companies Act, 2013, as amended and other applicable Indian laws for the time being in force. This Offering Circular has not been and will not be reviewed or approved by any regulatory authority in India, including, but not limited to, the Securities and Exchange Board of India, any Registrar of Companies or any stock exchange in India. This Offering Circular and the Notes are not and should not be construed as an advertisement, invitation, offer or sale of any securities whether to the public or by way of private placement to any person resident in India. The Notes have not been and will not be, offered or sold to any person resident in India. If you purchase any of the Notes, you will be deemed to have acknowledged, represented and agreed that you are eligible to purchase the Notes under applicable laws and regulations and that you are not prohibited under any applicable law or regulation from acquiring, owning or selling the Notes. See "*Subscription and Sale*".

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**) or with any securities regulatory authority of any state or other jurisdiction of the United States and are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or, in certain circumstances, to U.S. persons (as defined in Regulation S under the Securities Act). See "*Subscription and Sale*".

Arrangers

Barclays **SBI Capital Markets** **Standard Chartered Bank**

Dealers

Barclays **SBI Capital Markets** **Standard Chartered Bank**

The date of this Offering Circular is 2 April 2015.

The Issuer accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything that would make the statements therein, in light of the circumstances under which they were made, misleading. The Issuer, having made all reasonable enquiries, confirms that this Offering Circular contains or incorporates all information which is material in the context of the Programme and the Notes, that the information contained or incorporated in this Offering Circular is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Offering Circular are honestly held and that there are no other facts the omission of which would make this Offering Circular or any of such information or the expression of any such opinions or intentions misleading. The Issuer accepts responsibility accordingly.

No person is or has been authorised by the Issuer to give any information or to make any representation other than those contained in this Offering Circular or any other information supplied in connection with the Programme or the Notes and, if given or made by any other person, such information or representations must not be relied upon as having been authorised by the Issuer, any of the Arrangers or the Dealers or the Trustee.

Neither the Arrangers, the Dealers nor the Trustee (as defined herein) has separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and, to the fullest extent permitted by law, no responsibility or liability is accepted by any of the Arrangers or the Dealers, the Trustee or any of them as to the accuracy or completeness of the information contained or incorporated in this Offering Circular, or for any other statement, made or purported to be made by the Arrangers or a Dealer or on its behalf in connection with the Issuer or the Programme or any other information provided by the Issuer in connection with the Programme. The Arrangers, each Dealer and the Trustee accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which they might otherwise have in respect of this Offering Circular or any such statement.

Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer, any of the Arrangers or the Dealers or the Trustee that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any of the Notes. Each investor contemplating purchasing Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, any of the Arrangers or the Dealers or the Trustee to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Arrangers, the Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Offering Circular when deciding whether or not to purchase any Notes.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Arrangers, the Dealers and the Trustee do not represent that this Offering Circular may be lawfully distributed, or that

any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, any of the Arrangers or the Dealers or the Trustee which would permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom, Italy and the Netherlands), India, Singapore, Japan and Hong Kong, see "*Subscription and Sale*".

None of the Issuer, the Arrangers, the Dealers and the Trustee makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

There are restrictions on the offer and sale of the Notes in the United Kingdom. All applicable provisions of the Financial Services and Market Act 2000 (**FSMA**) with respect to anything done by any person in relation to the Notes in, from or otherwise involving the United Kingdom must be complied with. See "*Subscription and Sale*".

In connection with the offering of any series of Notes, each Dealer is acting or will act for the Issuer in connection with the offering and will not be responsible to anyone other than the Issuer for providing the protections afforded to clients of that Dealer nor for providing advice in relation to any such offering.

For a description of other restrictions, see "*Subscription and Sale*".

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The Issuer maintains its financial books and records and prepares its financial statements in Rupees in accordance with generally accepted accounting principles in the Republic of India (Indian GAAP) which differ in certain important respects from International Financial Reporting Standards (IFRS). For a discussion of the principal differences between Indian GAAP and IFRS as they relate to the Issuer, see "*Summary of Significant Differences Between Indian GAAP and IFRS*". Unless otherwise stated, all financial data contained herein is that of the Issuer on a non-consolidated basis. The financial statements for the years ended 31 March 2014, 2013 and 2012 and the financial statements for the nine months ended 31 December 2014, on a non-consolidated basis, included in this Offering Circular have been audited or reviewed as appropriate, by the auditors as set out in paragraph 6 of the section entitled "*General Information*".

CERTAIN DEFINITIONS

In this Offering Circular, references to **India** are to the Republic of India, references to the **Government** or **GoI** are to the Government of India and references to the **RBI** are to the Reserve Bank of India. References to specific data applicable to particular subsidiaries or other consolidated entities are made by reference to the name of that particular entity. References to **fiscal** or **fiscal year** are to the year ended 31 March.

Unless the context otherwise indicates, all references to **PFC** or the **Issuer** are to Power Finance Corporation Limited on a non-consolidated basis.

Industry and market share data in this Offering Circular are derived from data prepared by the Central Electricity Authority (the **CEA**) which is the nodal government agency for planning, advising and monitoring the Indian power sector, the Ministry of Power, Government of India (the **MoP**), the Planning Commission of India and from industry publications. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although the Issuer believes that the industry data used in this Offering Circular is reliable and takes responsibility for the accurate extraction of such data from publicly available sources, it has not been independently verified by the Issuer, the Arrangers, the Dealers or the Trustee.

As used in this Offering Circular, the terms, **Tenth Plan**, **Eleventh Plan**, **Twelfth Plan** and **Thirteenth Plan** refer to the five year plans of the Government, and mean the Tenth Five Year Plan covering the period fiscal 2002-2007, the Eleventh Five Year Plan covering the period fiscal 2007-2012, the Twelfth Five Year Plan covering the period 2012-2017 and the Thirteenth Five Year Plan covering the period 2017-2022, respectively.

All references in this document to **U.S. dollars**, **U.S.$** and **$** refer to United States dollars, to **Rupee**, **Rupees**, **Rs.** and **₹** refer to Indian Rupees and to **SGD** refers to Singapore dollars. In addition, references to **Sterling**, **GBP** and **£** refer to pounds sterling and to **euro**, **EUR** and **€** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Community, as amended.

References to **lakhs** and **crores** in the Issuer's financial statements are to the following:

One lakh	100,000	(one hundred thousand)
One crore	10,000,000	(ten million)
Ten crores	100,000,000	(one hundred million)
One hundred crores	1,000,000,000	(one thousand million or one billion)

In this Offering Circular, where information has been presented in millions or billions of units, amounts may have been rounded, in the case of information presented in millions, to the nearest ten thousand or one hundred thousand units or, in the case of information presented in billions, one, ten or one hundred million units. Accordingly, the totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding.

FORWARD-LOOKING STATEMENTS

The Issuer has included statements in this Offering Circular which contain words or phrases such as "will", "would", "aimed", "is likely", "are likely", "believe", "expect", "expected to", "will continue", "will achieve", "anticipate", "estimate", "intend", "plan", "contemplate", "seek to", "seeking to", "target", "propose to", "future", "objective", "goal", "projected", "should", "can", "could", "may" and similar expressions or variations of such expressions, that are "forward-looking statements". Actual results may differ materially from those suggested by the forward-looking statements due to certain risks or uncertainties associated with the expectations of the Issuer with respect to, but not limited to, regulatory changes relating to the power sector in India and the Issuer's ability to respond to them, the Issuer's ability to successfully implement its strategy, the Issuer's growth and expansion, including the Issuer's ability to complete its capacity expansion plans, technological changes, the Issuer's exposure to market risks, general economic and political conditions in India which have an impact on the Issuer's business activities or investments, the monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic and foreign laws, regulations and taxes and changes in competition in the Issuer's industry.

For a further discussion on the factors that could cause actual results to differ, see the discussion under "*Investment Considerations*" contained in this Offering Circular.

ENFORCEMENT OF FOREIGN JUDGMENTS IN INDIA

The Issuer is a limited liability public company incorporated under the laws of India. All of the Issuer's directors and executive officers named herein are residents of India and all or a substantial portion of the assets of the Issuer and such persons are located in India. As a result, it may not be possible for investors to effect service of process on the Issuer or such persons in jurisdictions outside of India, or to enforce against them judgments obtained in courts outside of India predicated upon civil liabilities of the Issuer or such directors and executive officers under laws other than Indian law, including any judgment predicated upon United States federal securities laws. There is doubt as to the enforceability in India in original actions or in actions for enforcement of judgments of United States courts of civil liabilities predicated solely upon the federal securities laws of the United States.

India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. The Issuer understands that the statutory basis for recognition and enforcement of foreign judgments is provided for under section 13 and section 44A of the Indian Code of Civil Procedure, 1908 (the **Civil Code**). Section 44A of the Civil Code provides that where a foreign judgment has been rendered by a superior court in any country or territory outside India which the Government has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. However, section 44A of the Civil Code is applicable only to monetary decrees not being in the nature of any amounts payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalty and is not applicable to arbitration awards, even if such awards are enforceable as a decree or judgment.

The United States has not been declared by the Government to be a reciprocating territory for the purposes of section 44A of the Civil Code. However, the United Kingdom has been declared by the Government to be a reciprocating territory and the High Courts in England as the relevant superior courts. Accordingly, a judgment of a court in the United States may be enforced only by a fresh suit upon the judgment and not by proceedings in execution whereas, a judgment of a superior court in the United Kingdom may be enforceable by proceedings in execution, and a judgment not of a superior court, by a fresh suit resulting in a judgment or order. A judgment of a court in a jurisdiction which is not a reciprocating territory may be enforced only by a new suit upon the judgment and not by proceedings in execution. Section 13 of the Civil Code provides that a foreign judgment shall be conclusive as to any matter thereby directly adjudicated upon except: (i) where it has not been pronounced by a court of competent jurisdiction; (ii) where it has not been given on the merits of the case; (iii) where it appears on the face of the proceedings to be founded on an incorrect view of international law or a refusal to recognise the law of India in cases where such law is applicable; (iv) where the proceedings in which the judgment was obtained were opposed to natural justice; (v) where it has been obtained by fraud; or (vi) where it sustains a claim founded on a breach of any law in force in India. The suit must be brought in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India.

Furthermore, it is unlikely that an Indian court would enforce a foreign judgment if it viewed the amount of damages awarded as excessive or inconsistent with Indian practice. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI under the Foreign Exchange Management Act, 1999 to repatriate outside India any amount recovered pursuant to execution. Any judgment in a foreign currency would be converted into Rupees on the date of the judgment and not on the date of the payment. Also, a party may file suit in India against the Issuer, its directors or its executive officers as an original action predicated upon the provisions of the federal securities laws in the United States.

GLOSSARY OF TERMS USED IN THIS OFFERING CIRCULAR

Below are certain terms used in this Offering Circular.

ADB	Asian Development Bank
AD Bank	Designated authorised dealer category I bank of the Issuer appointed in accordance with the ECB Guidelines
AG&SP	Accelerated Generation and Supply Programme
ALCO	Asset Liability Management Committee
APDP	Accelerated Power Development Programme
APDRP	Accelerated Power Development and Reforms Programme
AT&C loss(es)	Aggregate technical and commercial loss(es)
BOO	Build, own and operate
BSE	BSE Ltd.
CAGR	Compound annual growth rate
CDM	Clean development mechanism
CEA	Central Electricity Authority
Central Sector	Central sector which comprises of central Government owned power utilities
CERC	Central Electricity Regulatory Commission
Companies Act	the Companies Act, 2013, together with rules and regulations thereunder or, to the extent in force and applicable, the Companies Act, 1956, together with the rules and regulations thereunder, as amended, supplemented or re-enacted from time to time
CPSUs	Central Power Sector Utilities
CRA	Corporate Risk Assurance
CRAR	Capital to risk-weighted asset ratio
CRM	Currency risk management
CSR	Corporate social responsibility
DMS	Distribution management system
DPE	Department of Public Enterprises, Government of India
DRT	Debt Recovery Tribunal
DRUM	Distribution reform, upgrades and management
DSCR	Debt service coverage ratio
DSRA	Debt service reserve account

ECB Guidelines	Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulation 2000 and the circulars issued thereunder by the RBI including the Master Circular on External Commercial Borrowings and Trade Credits dated 1 July 2014, as amended from time to time
ECBs	External commercial borrowings in accordance with ECB Guidelines
EDs	Electricity departments
EESL	Energy Efficiency Services Limited
Electricity Act	Electricity Act, 2003
EPC	Engineering, procurement and construction
ERC	Electricity Regulatory Commissions, including CERCs and SERCs
ERP	Enterprise resource planning system
FCNR(B)	Foreign Currency Non-Resident (Bank)
FDI	Foreign direct investment
FEMA	Foreign Exchange Management Act, 1999
FIPB	Foreign Investment Promotion Board
GoI	Government of India
grid	A national or regional high voltage transmission network
HRA	House rent allowance
HVDS	High voltage distribution systems
IDA	Industrial dearness allowance
IDFC	Infrastructure Development Finance Company Limited
IEA	International Energy Agency
IFC	Infrastructure Finance Company
IFCI	IFCI Limited
IIFCL	India Infrastructure Finance Company Limited
IL&FS	Infrastructure Leasing & Financial Services Ltd.
IPP	Independent Power Producer
IRDA	Insurance Regulatory and Development Authority
IRM Policy	Integrated Enterprise-Wide Risk Management Policy
ISO	International Organisation for Standardisation
IT	Information Technology

ITC	Information technology consultants
ITIA	Information technology implementing agencies
ITP	Independent Transmission Project(s)
JNNSM	Jawaharlal Nehru National Solar Mission
KWh	A kilowatt hour
MCA	Ministry of Corporate Affairs
MNRE	Ministry of New and Renewable Energy
MoC	Ministry of Coal
MoF	Ministry of Finance
MoP.	Ministry of Power
MW	A megawatt
NBFC	Non-banking financial company
NCDEX	National Commodities and Derivatives Exchange Limited
NHPC	NHPC Limited
NPCIL	Nuclear Power Corporation of India Limited
NPEL.	National Power Exchange Limited
NSE	National Stock Exchange of India Ltd.
NTP.	National Tariff Policy, 2006
NTPC	NTPC Limited
O&M	Operation and maintenance
PECAP	Power Equity Capital Advisors Private Limited
PFCCL.	PFC Consulting Limited
PFCGEL	PFC Green Energy Limited
PGCIL	Power Grid Corporation of India Limited
PRP	Performance related pay
PSU	Public Sector Undertaking
PTC	Power Trading Corporation of India
PV	Photovoltaic
PXIL	Power Exchange India Limited
R-APDRP	Restructured Accelerated Power Development and Reform Programme
RBI	Reserve Bank of India

RBI Act	Reserve Bank of India Act, 1934
REC.	Rural Electrification Corporation Limited
RGGVY	Rajiv Gandhi Grameen Vidhyutikaran Yojana
SCADA	Supervisory Control and Data Acquisition
SDC.	SCADA/DMS consultants
SEB	State Electricity Board
SEBI	Securities and Exchange Board of India
SERC.	State Electricity Regulatory Commission(s)
SIA	SCADA Implementing Agencies
SPU	State Power Utilities
SPV	Special purpose vehicle
TCS	Tata Consultancy Services Limited
TERI	The Energy and Resources Institute
TPIEA	Third party independent evaluating agencies
TPIEA-EA	Third party independent evaluating agencies — energy accounting
TRA Agreement	Trust and Retention Account Agreement
UMPP	Ultra mega power projects
Unit	One KWh; that is, the energy contained in a current of one thousand amperes flowing under an electromotive force of one volt during one hour
USPP	United States Private Placement
UT	Union Territories
Yield	Ratio of interest income to the daily average of interest earning assets

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In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Pricing Supplement may over-allot or effect transactions with a view to supporting the market price of the Notes of the Series (as defined below) of which such Tranche forms part at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, this Offering Circular:

(a) the most recently published audited consolidated and non-consolidated annual financial statements and, if published later, the most recently published audited or reviewed, as the case may be, interim non-consolidated financial results of the Issuer, (see "*General Information*" for a description of the financial statements currently published by the Issuer); and

(b) all supplements or amendments to this Offering Circular circulated by the Issuer from time to time.

Any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular.

The Issuer will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the Issuer at its office set out at the end of this Offering Circular. In addition, such documents will be available free of charge from the principal office of the principal paying agent in London (which for the time being is The Bank of New York Mellon, London Branch) (the **Principal Paying Agent**) for the Notes listed on the SGX-ST.

If the terms of the Programme are modified or amended in a manner which would make this Offering Circular, as so modified or amended, inaccurate or misleading, to an extent which is material in the context of the Programme, a new offering circular will be prepared.

GENERAL DESCRIPTION OF THE PROGRAMME

Under the Programme, the Issuer may from time to time issue Notes denominated in any currency, subject as set out herein. A summary of the terms and conditions of the Programme and the Notes appears below. The applicable terms of any Notes will be agreed between the Issuer and the relevant Dealer prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed on, attached to, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Pricing Supplement attached to, or endorsed on, such Notes, as more fully described under "*Form of the Notes*".

This Offering Circular and any supplement will only be valid for listing Notes on the SGX-ST in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Programme, does not exceed U.S.$1,000,000,000 or its equivalent in other currencies. For the purpose of calculating the U.S. dollar equivalent of the aggregate nominal amount of Notes issued under the Programme from time to time:

(a) the U.S. dollar equivalent of Notes denominated in another Specified Currency (as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under "*Form of the Notes*") shall be determined, at the discretion of the Issuer, either as of the date on which agreement is reached for the issue of Notes or on the preceding day on which commercial banks and foreign exchange markets are open for business in London, in each case on the basis of the spot rate for the sale of the U.S. dollar against the purchase of such Specified Currency in the London foreign exchange market quoted by any leading international bank selected by the Issuer on the relevant day of calculation;

(b) the U.S. dollar equivalent of Dual Currency Notes, Index Linked Notes and Partly Paid Notes (each as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under "*Form of the Notes*") shall be calculated in the manner specified above by reference to the original nominal amount on issue of such Notes (in the case of Partly Paid Notes regardless of the subscription price paid); and

(c) the U.S. dollar equivalent of Zero Coupon Notes (as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under "*Form of the Notes*") and other Notes issued at a discount or a premium shall be calculated in the manner specified above by reference to the net proceeds received by the Issuer for the relevant issue.

The offering of the Notes will be made entirely outside India. This Offering Circular may not be distributed directly or indirectly in India or to residents of India and the Notes are not being offered or sold and may not be offered or sold directly or indirectly in India or to, or for the account or benefit of, any resident of India.

Each purchaser of Notes will be deemed to represent that it is neither located in India nor a resident of India and that it is not purchasing for, or for the account or benefit of, any such person, and understands that the Notes may not be offered, sold, pledged or otherwise transferred to any person located in India, to any resident of India or to, or for the account of, such persons, unless determined otherwise in compliance with applicable law.

The Issuer will issue Notes under the Programme in accordance with the ECB Guidelines.

The Government does not provide any guarantee or financial support in relation to any payment or obligation in respect of the Notes and has no commitment or obligation whatsoever in relation to any payment or obligation in respect of the Notes.

SUMMARY OF THE PROGRAMME

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined in "Form of the Notes" and "Terms and Conditions of the Notes" shall have the same meanings in this summary.

Issuer:	Power Finance Corporation Limited
Investment Considerations	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. These are set out under "*Investment Considerations*" below. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under "*Investment Considerations*" and include certain risks relating to the structure of particular Series of Notes and certain market risks.
Description:	Medium Term Note Programme
Arrangers:	Barclays Bank PLC SBICAP (Singapore) Limited Standard Chartered Bank
Dealers:	Barclays Bank PLC SBICAP (Singapore) Limited Standard Chartered Bank and any other Dealers appointed in accordance with the Programme Agreement (as defined under "*Subscription and Sale*").
Certain Restrictions:	Each issue of Notes in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale*") including the following restrictions applicable at the date of this Offering Circular.
Trustee:	The Bank of New York Mellon, London Branch
Principal Paying Agent:	The Bank of New York Mellon, London Branch
Transfer Agent:	The Bank of New York Mellon, London Branch
Registrar:.	The Bank of New York Mellon (Luxembourg) S.A.
Programme Size:	U.S.$1,000,000,000 (or its equivalent in other currencies calculated as described under "*General Description of the Programme*") in aggregate nominal amount of Notes outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.

Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer and the relevant Dealer.
Redenomination:	The applicable Pricing Supplement may provide that certain Notes may be redenominated in euro. The relevant provisions applicable to any such redenomination are contained in Condition 5.
Maturities:	Such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer including but not limited to the minimum maturity period specified under the ECB Guidelines or the relevant Specified Currency.
Issue Price:	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	The Notes will be issued in bearer and/or registered form as described in "*Form of the Notes*".
Fixed Rate Notes:	Fixed interest will be payable at such rate or rates in arrear and on such date or dates as may be agreed between the Issuer and the relevant Dealer, subject to any regulatory requirement (including but not limited to the ECB Guidelines) and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer, subject to any regulatory requirement (including but not limited to the ECB Guidelines).
Floating Rate Notes:	Floating Rate Notes will bear interest at a rate, subject to any regulatory requirement including but not limited to the ECB Guidelines, determined: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as of the Issue Date of the first Tranche of the Notes of the relevant Series); or (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (iii) on such other basis as may be agreed between the Issuer and the relevant Dealer.

	The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes, subject to any regulatory requirement (including but not limited to the ECB Guidelines). Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.
Index Linked Notes:	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer may agree, subject to any regulatory requirement (including but not limited to the ECB Guidelines).
Other provisions in Floating Rate Notes and Index Linked Interest Notes:	Floating Rate Notes and Index Linked Interest Notes may also have a relation to maximum interest rate, a minimum interest rate or both, subject to any regulatory requirement including but not limited to the ECB Guidelines. Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.
Dual Currency Notes:..........	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer may agree, subject to any regulatory requirement (including but not limited to the ECB Guidelines).
Partly Paid Notes.............	The Issuer may issue Notes in respect of which the issue price is paid in separate instalments in such amounts and on such dates as the Issuer and the relevant Dealer may agree.
Zero Coupon Notes:...........	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.
Other Notes.................	The Issuer may agree with any Dealer and the Trustee that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event the relevant provisions will be included in the applicable Pricing Supplement.

Redemption:.	Unless otherwise indicated in the applicable Pricing Supplement the relevant Notes cannot be redeemed prior to their stated maturity other than (i) in specified instalments, if applicable, (ii) for taxation reasons, (iii) following a Change in Control (as defined in Condition 8) or (iv) following an Event of Default (as defined in Condition 11). Please note that any redemption of the Notes prior to their average stated maturity will require the prior approval of the AD Bank or the RBI under the ECB Guidelines. The applicable Pricing Supplement may provide that Notes may be redeemable in separate instalments in such amounts and on such dates as are indicated in the applicable Pricing Supplement, subject to any regulatory requirement including but not limited to the ECB Guidelines.
Denomination of Notes:	Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency.
Taxation:	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction (as defined in Condition 9), subject as provided in Condition 9. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 9, be required to pay additional amounts to cover the amounts so deducted. Without prejudice to the Issuer's obligation to pay additional amounts as described above, all payments in respect of the Notes will be made subject to any withholding or deduction required pursuant to fiscal and other laws, as provided in Condition 7.8.
Negative Pledge:	The terms of the Notes will contain a negative pledge provision as further described in Condition 4.
Cross Default:	The terms of the Notes will contain a cross default provision as further described in Condition 11.
Status of the Notes:	The Notes will constitute direct, unconditional, unsubordinated and, subject to the provisions of Condition 4, unsecured obligations of the Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

Listing:	Approval-in-principle has been granted for the listing and quotation of Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List. The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer in relation to each Series. If the application to the SGX-ST to list a particular series of Notes is approved, such Notes listed on the SGX-ST will be traded on the SGX-ST in a minimum board lot size of at least SGD200,000. Unlisted Notes may also be issued. The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s).
Governing Law:	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and construed in accordance with, English law.
Clearing System:	The Euroclear, Clearstream, Luxembourg (each as defined in Condition 1) and/or any other clearing system, as specified in the applicable Pricing Supplement (see "*Form of Notes*").
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes under the Prospectus Directive and in the United States, the United Kingdom, Italy, the Netherlands, Japan, India, Hong Kong and Singapore and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes (see "*Subscription and Sale*").
United States Selling Restrictions:	Regulation S, Category 1 or 2. TEFRA C or D, or TEFRA not applicable as specified in the applicable Pricing Supplement.

FORM OF THE NOTES

The Notes of each Series will either be in bearer form, with or without interest coupons (**Coupons**) attached (**Bearer Notes**), or registered form, without interest coupons attached (**Registered Notes**). The Notes will be issued outside the United States and, in certain instances, only to non-U.S. persons, in reliance on Regulation S.

Notes to be listed on the SGX-ST will be accepted for clearance through Euroclear Bank S.A./ N.V. as operator of the Euroclear System (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**).

Bearer Notes

Each Tranche of Bearer Notes will initially be represented by either a temporary bearer global note (a **Temporary Bearer Global Note**) or a permanent bearer global note (a **Permanent Bearer Global Note** and, together with a Temporary Bearer Global Note, the **Bearer Global Notes**, and each a **Bearer Global Note**) as indicated in the applicable Pricing Supplement, which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depositary (the **Common Depositary**) for Euroclear and Clearstream, Luxembourg. Whilst any Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the **Exchange Date**) which, for each Tranche in respect of which a Temporary Bearer Global Note is issued, is 40 days after the Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) definitive Bearer Notes (**Definitive Bearer Notes**) of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Pricing Supplement and subject, in the case of Definitive Bearer Notes, to such notice period as is specified in the applicable Pricing Supplement), in each case against certification of beneficial ownership as described above, unless such certification has already been given. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Global Note or for Definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the Permanent Bearer Global Note without any requirement for certification.

The applicable Pricing Supplement will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for Definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached upon either (i) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Principal Paying Agent as described therein or (ii) only upon the occurrence of an Exchange Event.

For these purposes, **Exchange Event** means that (i) an Event of Default has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor or alternative clearing system satisfactory to the Trustee is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Bearer Global Note in definitive form and a certificate to such effect from an authorised officer of the Issuer has been given to the Trustee. The Issuer will promptly give notice to the Noteholders in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) or, the Trustee may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on all Permanent Bearer Global Notes and all Definitive Bearer Notes which have an original maturity of more than 365 days and on all receipts and interest coupons relating to such Notes:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Registered Notes

The Registered Notes of each Tranche will initially be represented by a global note in registered form (a **Registered Global Note**).

Registered Global Notes will be deposited with, and registered in the name of a nominee of, a common depositary for Euroclear and Clearstream, Luxembourg, as specified in the applicable Pricing Supplement. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form (**Definitive Registered Notes**).

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 7.4) as the registered holder of the Registered Global Notes. None of the Issuer, any Paying Agent or the Registrar (each as defined under "*Terms and Conditions of the Notes*") will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Definitive Registered Notes will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 7.4) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for Definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event (as defined under "*Form of the Notes — Bearer Notes*").

The Issuer will promptly give notice to the Noteholders and the Trustee in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Registered Global Note) or the Trustee may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) of the definition of Exchange Event under "*Form of the Notes — Bearer Notes*", the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

Transfer of Interests

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of Euroclear and Clearstream, Luxembourg, in each case to the extent applicable.

General

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Notes*"), the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and ISIN number which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the Distribution Compliance Period applicable to the Notes of such Tranche.

For so long as any of the Notes is represented by a Bearer Global Note or a Registered Global Note (each a **Global Note**) held on behalf of Euroclear and/or Clearstream, Luxembourg each person (other than Euroclear and/or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Trustee, the Issuer and their agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Trustee, the Issuer and their agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the Trust Deed and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or otherwise approved by the Issuer, the Trustee and the Principal Paying Agent.

No Noteholder, Receiptholder (as defined below) or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

If the applicable Pricing Supplement specifies any modification to the Terms and Conditions of the Notes as described herein, it is envisaged that, to the extent that such modification relates only to Conditions 1, 5, 6, 7, 8 (except Condition 8.2), 12, 13, 14, 15 (insofar as such Notes are not listed or admitted to trade on any stock exchange) or 17, they will not necessitate the preparation of a supplement to this Offering Circular. If the Terms and Conditions of the Notes of any Series are to be modified in any other respect, a supplement to this Offering Circular will be prepared, if appropriate.

So long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where such Notes may be presented or surrendered for payment or redemption, in the event that the Global Note representing such Notes is exchanged for definitive Notes. In addition, an announcement of such exchange will be made through the SGX-ST. Such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

FORM OF PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes issued under the Programme.

[Date]

Power Finance Corporation Limited

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the U.S.$1,000,000,000
Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 2 April 2015 [and the supplement[s] to it dated [ ] and [ ]] (the **Offering Circular**). This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Offering Circular dated *[original date]*. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated *[current date]*, save in respect of the Conditions which are extracted from the Offering Circular dated *[original date]* and are attached hereto.]

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement]

1.	Issuer:		Power Finance Corporation Limited
2.	(a)	Series Number:	[ ]
	(b)	Tranche Number:	[ ] *(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)*
	(c)	Date on which the Notes will be consolidated and form a single Series:	The Notes will be consolidated and form a single Series with [*identify earlier Tranches*] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [ ] below, which is expected to occur on or about [*date*]] [Not Applicable]
3.	Specified Currency or Currencies:		[ ]
4.	Aggregate Nominal Amount:		
	(a)	Series:	[ ]
	(b)	Tranche:	[ ]

5.	(a)	Issue Price:	[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date]* *(in the case of fungible issues only, if applicable)*]
	(b)	[Net proceeds:	[ ]]
6.	(a)	Specified Denominations:	[ ] *(N.B. Notes must have a minimum denomination of € 100,000 or equivalent)* *(Note — where Bearer Notes with multiple denominations above [€ 100,000] or equivalent are being used with respect to Bearer Notes, the following sample wording should be followed:* *"[€ 100,000] and integral multiples of [€ 1,000] in excess thereof up to and including [€ 199,000]. No Notes in definitive form will be issued with a denomination above [€ 199,000].")* *(N.B. If an issue of Notes is (i) NOT admitted to trading on a European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive the € 100,000 minimum denomination is not required.)* *(In the case of Registered Notes, this means the minimum integral amount in which transfers can be made.)*
	(b)	Calculation Amount:	[ ] *(If only one Specified Denomination, insert the Specified Denomination.* *If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
7.	(a)	Issue Date:	[ ]
	(b)	Interest Commencement Date:	[*Specify*/Issue Date/Not Applicable] *(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
8.		Maturity Date:	[*Fixed rate — specify date/Floating rate — Interest Payment Date falling in or nearest to [specify month and year]*]
9.		Interest Basis:	[[ ] per cent. Fixed Rate] [[LIBOR/EURIBOR] +/- [ ] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [Dual Currency Interest] [*specify other*] (further particulars specified below)

10.	Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption] [Dual Currency Redemption] [Partly Paid] [Instalment] [*specify other*]
11.	Change of Interest Basis or Redemption/Payment Basis:	[Applicable/Not Applicable] (*if applicable, specify details of any provision for change of Notes into another Interest Basis or Redemption/ Payment Basis*)
12.	(a) Date of board approval for issuance of Notes obtained:	[ ] [and [ ], respectively]]/[None required] *(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)*
	(b) Date of regulatory approval/consent for issuance of Notes obtained:	[ ]/[None required] *(N.B. Only relevant where regulatory (or similar) approval or consent is required for the particular tranche of Notes)*
13.	Listing:	[Singapore/*specify other*/None] *(N.B. Consider disclosure requirements under the EU Prospectus Directive applicable to securities admitted to an EU regulated market)*
14.	Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15.	Fixed Rate Note Provisions:	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(a) Rate(s) of Interest:	[ ] per cent. per annum payable in arrear on each Interest Payment Date
	(b) Interest Payment Date(s):	[ ] in each year up to and including the Maturity Date (*Amend appropriately in the case of irregular coupons*)
	(c) Fixed Coupon Amount(s):	[ ] per Calculation Amount
	(d) Broken Amount(s):	[[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]][Not Applicable]
	(e) Day Count Fraction:	[Actual/Actual (ICMA)]; [30/360]; [Actual/365 (Fixed)] [*specify other*]
	(f) Determination Date(s):	[[ ] in each year][Not Applicable] (*Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon*)
	(g) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[None/*Give details*]

16.	Floating Rate Note Provisions		[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(a)	Specified Period(s)/Specified Interest Payment Dates:	[ ]
	(b)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[*specify other*]]
	(c)	Additional Business Centre(s):	[ ]
	(d)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination/[*specify other*]]
	(e)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent):	[ ]
	(f)	Screen Rate Determination:	
		• Reference Rate:	*Reference Rate: [ ] month* [*LIBOR/EURIBOR/ specify other Reference Rate*].
		• Interest Determination Date(s):	[ ] *(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
		• Relevant Screen Page:	[ ] *(In the case of EURIBOR, if not Reuters EURIBOR 01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
	(g)	ISDA Determination:	
		• Floating Rate Option:	[ ]
		• Designated Maturity:	[ ]
		• Reset Date:	[ ] (*in the case of a LIBOR or EURIBOR based option, the first day of the Interest Period*)
	(h)	Margin(s):	[+/-] [ ] per cent. per annum
	(i)	Minimum Rate of Interest:	[ ] per cent. per annum
	(j)	Maximum Rate of Interest:	[ ] per cent. per annum

(k)	Day Count Fraction:	[Actual/Actual (ISDA)] [Actual/Actual] Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 [30/360], [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [30E/360 (ISDA)] *[specify other]* *(See Condition 6 for alternatives)*
17.	Zero Coupon Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
(a)	Accrual Yield:	[ ] per cent. per annum
(b)	Reference Price:	[ ]
(c)	Any other formula/basis of determining amount payable:	[ ]
(d)	Day Count Fraction in relation to Early Redemption Amounts:	*[30/360] [Actual/360] [Actual/365] [specify other]*
18.	Index Linked Interest Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
(a)	Index/Formula:	[*give or annex details*]
(b)	Calculation Agent:	*[give name]*
(c)	Calculation Agent responsible for calculating the interest due:	[ ]
(d)	Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[ ] *(Need to include a description of market disruption or settlement disruption events and adjustment provisions)*
(e)	Specified Period(s)/Specified Interest Payment Dates:	[ ]
(f)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*]
(g)	Additional Business Centre(s):	[ ]
(h)	Minimum Rate of Interest:	[ ] per cent. per annum
(i)	Maximum Rate of Interest:	[ ] per cent. per annum
(j)	Day Count Fraction:	[ ]
19.	Dual Currency Interest Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
(a)	Rate of Exchange/method of calculating Rate of Exchange:	*[give details]*

(b)	Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Principal Paying Agent):	[ ]
(c)	Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[ ]
(d)	Person at whose option Specified Currency(ies) is/are payable:	[ ]

PROVISIONS RELATING TO REDEMPTION

20.	Issuer Call:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
(a)	Optional Redemption Date(s):	[ ]
(b)	Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[ ] per Calculation Amount/*specify other*/see Appendix]
(c)	If redeemable in part:	
	(i) Minimum Redemption Amount:	[ ]
	(ii) Maximum Redemption Amount:	[ ]
(d)	Notice period (if other than as set out in the Conditions):	[ ] (*N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal paying Agent or the Trustee*)
21.	Investor Put:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
(a)	Optional Redemption Date(s):	[ ]
(b)	Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s):	[[ ] per Calculation Amount/*specify other*/see Appendix]

	(c) Notice period (if other than as set out in the Conditions):	[ ] (*N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent or the Trustee*)
22.	Final Redemption Amount	[ ] per Calculation Amount
23.	Early Redemption Amount payable on redemption for taxation reasons or on event of default:	[[ ] per Calculation Amount/*specify other*/see Appendix]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24.	Form of Notes:	[Bearer Notes: [Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Bearer Notes [on 60 days' notice given at anytime/only upon an Exchange Event]] [Temporary Bearer Global Note exchangeable for Definitive Bearer Notes on and after the Exchange Date] [Permanent Bearer Global Note exchangeable for Definitive Bearer Notes [on 60 days' notice given at any time/only upon an Exchange Event]] *(Ensure that this is consistent with the wording in the "Form of the Notes" section in the Offering Circular and the Notes themselves. The exchange upon notice option should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect:* *"[€ 100,000] and integral multiples of [€ 1,000] in excess thereof up to and including [€ 199,000]. No Notes in definitive form will be issued with a denomination above [€ 199,000]". Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Bearer Global Note exchangeable for Definitive Bearer Notes.)*

		[Registered Notes: Registered Global Note ([ ] nominal amount) registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg (*specify nominal amounts*)]
25.	Additional Financial Centres:	[Not Applicable/*give details*] *(Note that this item relates to the place of payment and not Interest Period end dates to which items 16(c) and 18(f) relate)*
26.	Talons for future Coupons to be attached to Definitive Notes in bearer form (and dates on which such Talons mature):	[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]
27.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details. N.B. a new form of Temporary Bearer Global Note and/or Permanent Bearer Global Note may be required for Partly Paid issues*]
28.	Details relating to Instalment Notes:	[*Not Applicable*]
	(a) [Instalment Amount(s):	[*give details*]]
	(b) [Instalment Date(s):	[*give details*]]
29.	Redenomination applicable:	Redenomination [not] applicable *(If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates))*
30.	Permitted Security Interest Date:	[ ] *(See Condition 4)*
31.	Other terms or special conditions:	[Not Applicable/*give details*]

DISTRIBUTION

32.	(a) If syndicated, names of Managers:	[Not Applicable/*give names*]
	(b) Stabilising Manager(s) (if any):	[Not Applicable/*give name(s)*]
33.	If non-syndicated, name of relevant Dealer:	[ ]
34.	Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable:	[TEFRA D/TEFRA not applicable]

35.	Whether Category 1 or Category 2 applicable in respect of the Notes offered and sold in reliance on Regulation S:	[Category 1/Category 2] [(Notes offered in reliance on Category 1 must be in registered form)]
36.	Additional selling restrictions:	[Not Applicable/*give details*]

OPERATIONAL INFORMATION

37.	Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
38.	Delivery:	Delivery [against/free of] payment
39.	Additional Paying Agent(s) (if any):	[ ]

ISIN:	[ ]
Common Code:	[ ]

[LISTING APPLICATION

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the U.S.$1,000,000,000 Medium Term Note Programme of Power Finance Corporation Limited.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By: ________________________________

Duly authorised

TERMS AND CONDITIONS OF THE NOTES

The following, subject to alteration and except for the paragraph in italics, are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Form of the Notes" for a description of the content of Pricing Supplements which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by Power Finance Corporation Limited (the **Issuer**) and constituted by a Trust Deed (as modified and/or supplemented and/or restated from time to time, the **Trust Deed**) dated 18 October 2012 made between the Issuer and The Bank of New York Mellon, London Branch (the **Trustee** which expression shall include any successor as Trustee).

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

(i) in relation to any Notes represented by a global Note (a **Global Note**), units of the lowest Specified Denomination in the Specified Currency;

(ii) any Global Note in bearer form (a **Bearer Global Note**);

(iii) any Global Note in registered form (a **Registered Global Note**);

(iv) definitive Notes in bearer form (**Definitive Bearer Notes**, and together with Bearer Global Notes, the **Bearer Notes**) issued in exchange for a Bearer Global Note; and

(v) definitive Notes in registered form (**Definitive Registered Notes**, and together with Registered Global Notes, the **Registered Notes**), whether or not issued in exchange for a Registered Global Note.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 18 October 2012 and made between the Issuer, the Trustee, The Bank of New York Mellon, London Branch as principal paying agent and agent bank (the **Principal Paying Agent**, which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents) and as transfer agent (the **Transfer Agent**, which expression shall include any substitute or any additional transfer agents appointed in accordance with the Agency Agreement) and The Bank of New York Mellon (Luxembourg) S.A. as registrar (the **Registrar**, which expression shall include any successor registrar and together with the Paying Agents and Transfer Agents, the **Agents**).

Interest bearing definitive Bearer Notes have interest coupons (**Coupons**) and, in the case of Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Bearer Notes repayable in instalments have receipts (**Receipts**) for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Notes and Global Notes do not have Receipts, Coupons or Talons attached on issue.

The Pricing Supplement for this Note (or the relevant provisions thereof) is attached to or endorsed on this Note and supplements these Terms and Conditions (**Conditions**) and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Conditions, replace or modify these Conditions for the purposes of this Note. References to the **applicable Pricing Supplement** are to the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Note.

Any reference to **Noteholders** or **holders** in relation to any Notes shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose names the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to **Receiptholders** shall mean the holders of the Receipts and any reference herein to **Couponholders** shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons. The Trustee acts for the benefit of the Noteholders, the Receiptholders and the Couponholders, in accordance with the provisions of the Trust Deed.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which (i) are expressed to be consolidated and form a single series and (ii) have the same terms and conditions which are the same in all respects save for the amount and date of first payment of interest thereon and the date from which interest starts to accrue.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Trustee (being, at One Canada Square, 40th Floor, London E14 5AL, United Kingdom) and at the specified office of the Principal Paying Agent and the other Paying Agents. Copies of the applicable Pricing Supplement are obtainable during normal business hours at the specified office of the Principal Paying Agent and the corporate office of the Issuer save that, if this Note is an unlisted Note of any Series, the applicable Pricing Supplement will only be obtainable by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, and are bound by, all the provisions of the Trust Deed, the Agency Agreement and the applicable Pricing Supplement which are applicable to them. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

Words and expressions defined in the Trust Deed and the Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

1. FORM, DENOMINATION AND TITLE

The Notes may be in bearer form (**Bearer Notes**) and/or in registered form (**Registered Notes**) as specified in the applicable Pricing Supplement and, in the case of definitive Notes, will be serially numbered, in the currency (the **Specified Currency**) and the denominations (the **Specified Denomination(s)**), specified in the applicable Pricing Supplement. Save as provided in Condition 2, Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement, which Interest Basis shall be as per the applicable laws including but not limited to the ECB Guidelines.

This Note may also be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Pricing Supplement.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Conditions are not applicable.

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery. Title to Registered Notes will pass upon registration of transfers in the books of the Registrar in accordance with the provisions of the Agency Agreement. The Issuer, the Trustee, the Principal Paying Agent, any Paying Agent, the Registrar and the Transfer Agent will (except as otherwise ordered by a court of competent jurisdiction or required by law) deem and treat the bearer of any Bearer Note, Receipt or Coupon and any person in whose name a Registered Note is registered as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held by a common depositary on behalf of Euroclear Bank S.A./N.V. (**Euroclear**) and/or Clearstream Banking, société anonyme (**Clearstream, Luxembourg**), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Trustee, any Paying Agents, the Registrar and the Transfer Agent as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer or registered holder of the relevant Global Note shall be treated by the Issuer, the Trustee, any Paying Agent, the Registrar and the Transfer Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular nominal amount of Notes, as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or as may otherwise be approved by the Issuer, the Trustee and the Principal Paying Agent.

2. TRANSFERS OF REGISTERED NOTES

2.1 Transfers of Interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Notes will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be exchangeable for Registered Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the applicable Pricing Supplement and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Trust Deed and the Agency Agreement.

2.2 Transfers of Registered Notes Generally

Registered Notes may not be exchanged for Bearer Notes and vice versa.

Holders of Definitive Registered Notes may exchange such Definitive Registered Notes for interests in a Registered Global Note of the same type at any time.

Upon the terms and subject to the conditions set forth in the Trust Deed and the Agency Agreement, a Definitive Registered Note may be transferred in whole or in part (in the authorised denominations set out in the applicable Pricing Supplement). In order to effect any such transfer: (i) the holder or holders must (a) surrender the Definitive Registered Note for registration of the transfer of the Definitive Registered Note (or the relevant part of the Definitive Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (b) complete and deposit such other certifications as may be required by the relevant Transfer Agent and (ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, being satisfied with the documents of title and the identity of the person making the request and subject to such reasonable regulations as the Issuer, the Trustee, the Registrar, or as the case may be, the relevant Transfer Agent from time to time may prescribe (such initial regulations being set out in Schedule 4 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations) authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by mail to such address as the transferee may request, a new Definitive Registered Note of a like aggregate nominal amount to the Definitive Registered Note (or the relevant part of the Definitive Registered Note) transferred. In the case of the transfer of part only of a Definitive Registered Note, a new Definitive Registered Note in respect of the balance of the Definitive Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

2.3 Registration of Transfer upon Partial Redemption

In the event of a partial redemption of Notes under Condition 8, the Issuer shall not be required to register the transfer of any Registered Note, or a part Registered Note, called for partial redemption.

2.4 Costs of Registration

Registration of transfers will be effected without charge by or on behalf of the Issuer, the Registrar or the relevant Transfer Agent, but upon payment (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may reasonably require) in respect of any tax or other governmental charges which may be imposed in relation to it provided that the Issuer shall not be responsible for any documentary stamp tax payable on the transfer of Notes effected in the Republic of India (**India**) unless the Issuer is the counterparty directly liable for that documentary stamp tax.

3. STATUS

The Notes and any relative Receipts and Coupons are direct, unconditional and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and (subject to the provisions of Condition 4) rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

4. NEGATIVE PLEDGE

4.1 Negative Pledge

So long as any of the Notes remains outstanding, the Issuer will ensure that no Relevant Indebtedness (as defined below) of the Issuer or any of its Subsidiaries (as defined below) will be secured by any Security Interest (as defined below) upon, or with respect to, any of the present or future business, undertaking, assets or revenues (including any uncalled capital) of the Issuer or any of its Subsidiaries unless the Issuer, in the case of the creation of the Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:

(a) all amounts payable by it under the Notes and the Trust Deed are secured by the Security Interest equally and rateably with the Relevant Indebtedness to the satisfaction of the Trustee; or

(b) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided either (A) as the Trustee in its absolute discretion deems not materially less beneficial to the interests of the Noteholders or (B) as is approved by an Extraordinary Resolution (which is defined in the Trust Deed as a resolution duly passed by a majority of not less than three-fourths of the votes cast thereon) of the Noteholders.

4.2 Interpretation

For the purposes of these Conditions:

(a) **Relevant Indebtedness** means (i) any present or future indebtedness (whether being principal, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities or any loan or other borrowed money or any liability under or in respect of any acceptance or acceptance credit (together, **Indebtedness for Borrowed Money**) which (a) by their terms are payable in a currency other than Rupees or are denominated in Rupees and more than 50 per cent. of the aggregate principal amount of which is initially distributed outside of India by or with the authorisation of the Issuer and (b) are for the time being, or are intended to be, or capable of being quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market and (ii) any guarantee or indemnity of any such indebtedness;

(b) **Security Interest** means any mortgage, charge, pledge, lien or other security interest; and

(c) **Subsidiary** means, in relation to the Issuer, any company (i) in which the Issuer holds a majority of the voting rights or (ii) of which the Issuer is a member and has the right to appoint or remove a majority of the board of directors or (iii) of which the Issuer is a member and controls a majority of the voting rights, and includes any company which is a Subsidiary of a Subsidiary of the Issuer.

5. REDENOMINATION

5.1 Redenomination

Where redenomination is specified in the applicable Pricing Supplement as being applicable, the Issuer may, without the consent of the Noteholders, the Receiptholders or the Couponholders, on giving 30 days' prior notice to the Trustee, the Principal Paying Agent, Euroclear and/or Clearstream, Luxembourg as applicable, and at least 30 days' prior notice to the Noteholders in accordance with Condition 15, elect that, with effect from the Redenomination Date specified in the notice, the Notes shall be redenominated in euro.

The election will have effect as follows:

(a) the Notes and the Receipts shall be deemed to be redenominated into euro in the denomination of 0.01 with a nominal amount in euro for each Note and Receipt equal to the nominal amount of that Note or Receipt in the Specified Currency, converted into euro at the Established Rate, provided that, if the Issuer determines, with the agreement of the Principal Paying Agent and the Trustee, that the then market practice in respect of the redenomination into euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, the stock exchange (if any) on which the Notes are for the time being listed and the Paying Agents of such deemed amendments;

(b) save to the extent that an Exchange Notice has been given in accordance with paragraph (d) below, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate nominal amount of Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01;

(c) if definitive Notes are required to be issued after the Redenomination Date, they shall be issued at the expense of the Issuer in the denominations of euro 1,000, euro 10,000, euro 100,000 and (but only to the extent of any remaining amounts less than 1,000 or such smaller denominations as the Issuer in conjunction with the Principal Paying Agent may determine) euro 0.01 and such other denominations as the Issuer shall determine and notify to the Noteholders;

(d) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date on which the Issuer gives notice (the **Exchange Notice**) that replacement euro-denominated Notes, Receipts and Coupons are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Notes and Receipts so issued will also become void on that date although those Notes and Receipts will continue to constitute valid exchange obligations of the Issuer. New euro-denominated Notes, Receipts and Coupons will be issued in exchange for Notes, Receipts and Coupons denominated in the Specified Currency in such manner as the Principal Paying Agent may specify and as shall be notified to the Noteholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Notes;

(e) after the Redenomination Date, all payments in respect of the Notes, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the Notes to the Specified Currency were to euro. Payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque;

(f) if the Notes are Fixed Rate Notes and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated:

    (i) in the case of the Notes represented by a Global Note, by applying the Rate of Interest to the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); and

    (ii) in the case of definitive Notes, by applying the Rate of Interest to the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding;

(g) if the Notes are Floating Rate Notes, the applicable Pricing Supplement will specify any relevant changes to the provisions relating to interest; and

(h) such other changes shall be made to these Conditions as the Issuer may decide, after consultation with the Trustee and the Principal Paying Agent, and as may be specified in the notice, to conform them to conventions then applicable to instruments denominated in euro.

5.2 Definitions

In these Conditions, the following expressions have the following meanings:

Established Rate means the rate for the conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Union regulations) into euro established by the Council of the European Union pursuant to Article 140 of the Treaty;

euro and **€** means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty;

Redenomination Date means (in the case of interest bearing Notes) any date for payment of interest under the Notes or (in the case of Zero Coupon Notes) any date, in each case specified by the Issuer in the notice given to the Noteholders pursuant to paragraph 5.1 (a) above and which falls on or after the date on which the country of the Specified Currency first participates in the third stage of European economic and monetary union; and

Treaty means the Treaty on the Functioning of the European Union, as amended.

6. INTEREST

All interest payable on the Notes shall be subject to applicable laws including but not limited to the Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations 2000 and circulars issued thereunder by the RBI including the Master Circular on External Commercial Borrowings and Trade Credits dated 1 July 2014, as amended from time to time (the ***ECB Guidelines****) and in accordance with any specific approval received by the Issuer from the RBI or any other regulatory authority.*

6.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the nominal amount paid up) from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount so specified.

As used in these Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Pricing Supplement, interest is required to be calculated in respect of any period by applying the Rate of Interest to:

(A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Each Fixed Rate Note shall have an interest rate which shall be in accordance with Indian regulatory requirements (including but not limited to the ECB Guidelines) or any specific approval received by the Issuer from the RBI or any other regulatory authority.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 6.1:

(a) if **Actual/Actual (ICMA)** is specified in the applicable Pricing Supplement:

(i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or

(ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;

(b) if **30/360** is specified in the applicable Pricing Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360; or

(c) if **Actual/365 (Fixed)** is specified in the applicable Pricing Supplement, the actual number of days in the Accrual Period divided by 365.

In these Conditions:

Determination Period means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

sub-unit means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

6.2 Interest on Floating Rate Notes and Index Linked Interest Notes

(a) Interest Payment Dates

Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(i) the Specified Interest Payment Date(s) in each year specified in the applicable Pricing Supplement; or

(ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In these Conditions, **Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

(b) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Pricing Supplement. The Rate of Interest shall be in accordance with Indian regulatory requirements (including the ECB Guidelines) or any specific approval received by the Issuer from the RBI or any other regulatory authority.

(i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this sub-paragraph (A), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as of the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

(A) the Floating Rate Option is as specified in the applicable Pricing Supplement;

(B) the Designated Maturity is a period specified in the applicable Pricing Supplement; and

(C) the relevant Reset Date is the day specified in the applicable Pricing Supplement.

For the purposes of this sub-paragraph (i), **Floating Rate**, **Calculation Agent**, **Floating Rate Option**, **Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Pricing Supplement the Minimum Rate of Interest shall be deemed to be zero.

(ii) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(A) the offered quotation; or

(B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (being either LIBOR or EURIBOR as specified in the applicable Pricing Supplement) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as of 11.00 a.m. (London time, in case of LIBOR, or Brussels, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Principal Paying Agent or such other party specified in the applicable Pricing Supplement. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Pricing Supplement as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Pricing Supplement.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as of the time specified in the preceding paragraph.

(c) Minimum and/or Maximum Rate of Interest

If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

The Rate of Interest shall not exceed the rate of interest as specified under the ECB Guidelines or any specific approval received by the Issuer from the RBI or any other regulatory authority.

(d) Determination of Rate of Interest and Calculation of Interest Amounts

The Principal Paying Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Principal Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same. If required to be calculated by it, the Principal Paying Agent or, as the case may be, the Calculation Agent shall cause the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Trustee, the Issuer, each of the Paying Agents, the Noteholders and, if the Notes are listed on a stock exchange and the rules of such stock exchange or other relevant authority so require, such stock exchange or other relevant authority as soon as practicable after calculating the same.

The Principal Paying Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes or Index Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to:

(A) in the case of Floating Rate Notes or Index Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Floating Rate Notes or Index Linked Interest Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Each Floating Rate Note or Index Linked Interest Note shall have an interest rate which shall be in accordance with Indian regulatory requirements (including but not limited to the ECB Guidelines) or any specific approval received by the Issuer from the RBI or any other regulatory authority.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 6.2:

(i) if **Actual/Actual (ISDA)** or **Actual/Actual** is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(ii) if **Actual/365 (Fixed)** is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;

(iii) if **Actual/365 (Sterling)** is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if **Actual/360** is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;

(v) if **30/360, 360/360** or **Bond Basis** is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

Y1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D1 is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and

D2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

(vi) if **30E/360** or **Eurobond Basis** is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

Y1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D1 is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

D2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D2 will be 30; and

(vii) if **30E/360 (ISDA)** is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

Y1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D1 is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

D2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30.

(e) Notification of Rate of Interest and Interest Amounts

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee and any stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 15 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 15. For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

(f) Determination or Calculation by Trustee

If for any reason at any relevant time the Principal Paying Agent or, as the case may be, the Calculation Agent defaults in its obligation to determine the Rate of Interest or the Principal Paying Agent defaults in its obligation to calculate any Interest Amount in accordance with sub-paragraph (b)(i) or subparagraph (b)(ii) above or as otherwise specified in the applicable Pricing Supplement, as the case may be, and in each case in accordance with paragraph (d) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Pricing Supplement), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Principal Paying Agent or the Calculation Agent, as applicable.

(g) Certificates to be Final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6, whether by the Principal Paying Agent or, if applicable, the Calculation Agent or the Trustee, shall (in the absence of wilful default, bad faith, manifest error or proven error) be binding on the Issuer, the Trustee, the Principal Paying Agent, the Registrar, the Calculation Agent (if applicable), the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent or, if applicable, the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

6.3 Interest on Dual Currency Interest Notes

The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Pricing Supplement.

Each Dual Currency Interest Note shall have an interest rate which shall be in accordance with Indian regulatory requirements (including but not limited to the ECB Guidelines) or any specific approval received by the Issuer from the RBI or any other regulatory authority.

6.4 Interest on Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

Each Partly Paid Note shall have an interest rate which shall be in accordance with Indian regulatory requirements (including but not limited to the ECB Guidelines) or any specific approval received by the Issuer from the RBI or any other regulatory authority.

6.5 Accrual of Interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from and including the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

(a) the date on which all amounts due in respect of such Note have been paid; and

(b) as provided in the Trust Deed.

6.6 Definitions

In these Conditions, if a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day on the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(A) in any case where Specified Periods are specified in accordance with Condition 6.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

(B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, **Business Day** means a day which is both:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in each Additional Business Centre specified in the applicable Pricing Supplement; and

(b) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre and which, if the Specified Currency is

Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) or (ii) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System or any successor system (the **TARGET2 System**) is open.

7. PAYMENTS

7.1 Method of payment

Subject as provided below:

(a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland); and

(b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

7.2 Presentation of definitive Bearer Notes, Receipts and Coupons

Payments of principal in respect of Definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Definitive Bearer Notes, and payments of interest in respect of Definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America and its possessions).

Payments of Instalment Amounts (if any) in respect of Definitive Bearer Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 6.1 above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Bearer Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the Definitive Bearer Note to which it appertains. Receipts presented without the Definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any Definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form (other than Dual Currency Notes, Index Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 9) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 10) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Note or Long Maturity Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **Long Maturity Note** is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any Definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant Definitive Bearer Note.

7.3 Payments in respect of Bearer Global Notes

Payments of principal and interest (if any) in respect of Bearer Notes represented by any Bearer Global Note will (subject as provided below) be made in the manner specified above in relation to Definitive Bearer Notes or otherwise in the manner specified in the relevant Bearer Global Note against presentation or surrender of such Bearer Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Bearer Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Bearer Global Note by the Paying Agent to which it was presented and such record shall be *prima facie* evidence that the payment in question has been made.

7.4 Payments in respect of Registered Notes

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the **Register**) (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the principal amount of the Notes held by a holder is less than U.S.$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, **Designated Account** means the account (which, in the case of a payment in Japanese yen to a non resident of Japan, shall be a non resident account) maintained by a holder with a Designated Bank and identified as such in the Register and **Designated Bank** means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the Business Day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a Business Day) before the relevant due date (the **Record Date**) at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and instalments of principal (other than the final instalment) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

None of the Issuer, the Trustee, or the Registrar or any Paying Agent will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

7.5 General provisions applicable to payments

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer in respect of such Global Note to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States only if:

(a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;

(b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

7.6 Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 11) is:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

   (i) in the case of Notes in definitive form only, the relevant place of presentation; and

   (ii) any Additional Financial Centre specified in the applicable Pricing Supplement; and

(b) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland) or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

7.7 Interpretation of principal and interest

Any reference in these Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(a) any additional amounts which may be payable with respect to principal under Condition 9 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;

(b) the Final Redemption Amount of the Notes;

(c) the Early Redemption Amount of the Notes;

(d) the Optional Redemption Amount(s) (if any) of the Notes;

(e) in relation to Notes redeemable in instalments, the Instalment Amounts;

(f) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 8.4); and

(g) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 9 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

7.8 Payments Subject to Fiscal and Other Laws

Payments will be subject in all cases, to (i) any fiscal or other laws and regulations applicable thereto, but without prejudice to the provisions of Condition 9, in the place of payment, (ii) any withholding or deduction required pursuant to Section 871(m) of the U.S. Internal Revenue Code of

1986 (the Code); and (iii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Section 1471 through 1474 of the Code, any regulation or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto.

8. REDEMPTION AND PURCHASE

8.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Redemption Note and Dual Currency Redemption Note) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date.

8.2 Redemption for Tax Reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if the Notes are neither a Floating Rate Note, an Index Linked Interest Note nor a Dual Currency Note) or on any Interest Payment Date (if the Notes are either a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note), on giving not less than 30 nor more than 60 days' notice to the Trustee and the Principal Paying Agent and, in accordance with Condition 15, the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

(a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 9) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes for such Series; and

(b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee to make available at its specified office (during the hours of 9:30 am to 3 pm, Mondays to Fridays (except public holidays)) to the Noteholders (1) a certificate signed by an authorised officer of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and (2) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

Notes redeemed pursuant to this Condition 8.2 will be redeemed at their Early Redemption Amount referred to in Condition 8.4 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

*ECB Guidelines require the Issuer to obtain the prior approval of the RBI or designated authorised dealer bank appointed in accordance with the ECB Guidelines (**AD Bank**), as the case may be, before providing notice for or effecting such a redemption prior to the Maturity Date and such approval may not be forthcoming.*

8.3 Redemption upon Change of Control

Within 15 days following any Change in Control, the Issuer will give notice to the Noteholders, the Trustee and the Principal Paying Agent in accordance with Condition 15 stating that a Change in Control has occurred.

Following the occurrence of a Change in Control, each Noteholder will have the right to require the Issuer to redeem any of the Notes held by such Noteholder at their principal amount outstanding together with interest (including additional amounts pursuant to Condition 9 if any) accrued to (but excluding) the date of redemption.

To exercise the right to require redemption of any Notes, the holder of the Notes must deliver such Notes at the specified office of any Paying Agent, in the case of Bearer Notes, or of any Transfer Agent or the Registrar, in the case of Registered Notes, on any business day (being, in relation to any place, a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in that place) at the place of such specified office falling within the notice period, accompanied by a duly signed and completed notice of exercise in the form (for the time being current and which may, if this Note is held in a clearing system, be any form acceptable to the clearing system delivered in a manner acceptable to the clearing system) obtainable from any specified office of any Paying Agent, Transfer Agent or the Registrar (a **Put Notice**) and in which the holder must specify a bank account (or, if payment is to be made by cheque, an address) to which payment is to be made under this paragraph accompanied by such Notes or evidence satisfactory to the relevant Paying Agent, Transfer Agent or the Registrar, as the case may be, that such Notes will, following the delivery of the Put Notice, be held to its order or under its control.

Subject to the receipt of RBI approvals, the Issuer is obliged to redeem any such Notes on the first business day in the place where such redemption notice is deposited falling 30 days after such deposit.

A Put Notice given by a holder of any Note shall be irrevocable and no Note deposited with a Paying Agent, Transfer Agent or the Registrar pursuant to this Condition 8.3 may be withdrawn without the prior written consent of the Issuer.

The right of any Noteholder to require the Issuer to redeem any Note upon a Change in Control is not conditional upon a Change in Control notice having been given by the Issuer, but will, if such notice is given by the Issuer, be exercised by such Noteholder within 45 days of the giving of such notice.

A **Change in Control** will have occurred if the Government of India will at any time cease to own, directly or indirectly, more than 50 per cent. of the voting securities of the Issuer.

In this Condition 8.3, **voting securities** means stock (or equivalent interests) having voting power for the election of directors, commissioners, managers or trustees of a company (or otherwise the power to control the management and policies of such corporation or other entity).

ECB Guidelines require the Issuer to obtain the prior approval of the RBI or the AD Bank, as the case may be, before providing notice for or effecting such a redemption prior to the Maturity Date and such approval may not be forthcoming.

8.4 Early Redemption Amounts

For the purpose of Conditions 8.2 and 8.3 above and Condition 11, each Note will be redeemed at its Early Redemption Amount calculated as follows:

(a) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;

(b) in the case of a Note (other than a Zero Coupon Note but including an Instalment Note and Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Pricing Supplement or, if no such amount or manner is so specified in the applicable Pricing Supplement, at its nominal amount; or

(c) in the case of a Zero Coupon Note, at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

Early Redemption Amount = RP x $(1 + AY)^y$

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

y is the Day Count Fraction specified in the applicable Pricing Supplement which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365),

or on such other calculation basis as may be specified in the applicable Pricing Supplement.

8.5 Instalments

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 8.4 above.

8.6 Partly Paid Notes

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Pricing Supplement.

8.7 Purchases

The Issuer or any Subsidiary (as defined in the Trust Deed) of the Issuer may at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer surrendered to any Paying Agent and/or the Registrar for cancellation.

8.8 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 8.7 above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent (which shall notify the Registrar of such cancelled Notes in the case of Registered Notes) and may not be reissued or resold.

8.9 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Conditions 8.1, 8.2 or 8.3 above or upon its becoming due and repayable as provided in Condition 11 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 8.4(c) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

(i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

(ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Note has been received by the Trustee or the Principal Paying Agent and notice to that effect has been given to the Noteholders in accordance with Condition 15.

9. TAXATION

9.1 Payment without Withholding

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction (the **Additional Amounts**); except that no such Additional Amounts shall be payable with respect to any Note, Receipt or Coupon:

(a) the holder of which is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note, Receipt or Coupon; or

(b) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an Additional Amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 7.6); or

(c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any other law implementing or complying with, or introduced in order to conform to, such Directive; or

(d) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union; or

(e) presented for payment by or on behalf of a holder of such Note, Receipt or Coupon who, at the time of such presentation, is able to avoid such withholding or deduction by making a declaration of non-residence or other similar claim for exemption and does not make such declaration or claim; or

(f) where such withholding or deduction is required pursuant to (i) Section 871(m) of the Code or (ii) agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Section 1471 through 1474 of the Code, any regulation or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto.

Any payments made by the Issuer are required to be within the all-in-cost ceilings prescribed under the ECB Guidelines and in accordance with any specific approvals from the RBI in this regard.

9.2 Interpretation

As used herein:

(i) **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Trustee or the Principal Paying Agent or, as the case may be, the Registrar on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 15; and

(ii) **Tax Jurisdiction** means India or any political subdivision or any authority thereof or therein having power to tax in respect of payments made by the Issuer of principal and interest in respect of the Notes, Receipts and Coupons.

10. PRESCRIPTION

The Notes (whether bearer or registered form), Receipts and Coupons will become void unless presented for payment within a period of seven years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 9) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 7.2 or any Talon which would be void pursuant to Condition 7.2.

11. EVENTS OF DEFAULT AND ENFORCEMENT

11.1 Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), give notice to the Issuer that the Notes are, and they shall accordingly, subject to receipt of prior RBI or AD Bank approval, as the case may be, forthwith become, immediately due and repayable at their principal amount, together with accrued interest as provided in the Trust Deed, in any of the following events (**Events of Default**):

(a) if default is made in the payment of any principal or interest due in respect of the Notes or any of them; or

(b) if the Issuer fails to perform or observe any of its other obligations under these Conditions or the Trust Deed and (except in any case where the Trustee considers the failure to be incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days (or such longer period as the Trustee may permit) following the service by the Trustee on the Issuer of notice requiring the same to be remedied; or

(c) if (i) any Indebtedness for Borrowed Money of the Issuer or any of its Subsidiaries becomes capable of being declared due and repayable prematurely by reason of an event of default (however described); (ii) the Issuer or any of its Subsidiaries fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment; (iii) any security given by the Issuer or any of its Subsidiaries for any Indebtedness for Borrowed Money becomes enforceable; or (iv) default is made by the Issuer or any of its Subsidiaries in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person; provided that no event described in this subparagraph 10.1(c) shall constitute an Event of Default unless the relevant amount of Indebtedness for Borrowed Money or other relative liability due and unpaid, either alone or when aggregated (without duplication) with other amounts of Indebtedness for Borrowed Money and/or other liabilities due and unpaid relative to all (if any) other events specified in (i) to (iv) above, amounts to at least U.S.$100,000,000 (or its equivalent in any other currency); or

(d) if any order is made by any competent court or resolution is passed for the winding up or dissolution of the Issuer or any of its Subsidiaries, save for the purposes of reorganisation on terms approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders; or

(e) if the Issuer or any of its Subsidiaries ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of reorganisation on terms approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders, or the Issuer or any of its Subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to, pay its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or

(f) if (i) proceedings are initiated against the Issuer or any of its Subsidiaries under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or any of its Subsidiaries or, as the case may be, in relation to the whole or any part of the undertaking or assets of any of them or an encumbrancer takes possession of the whole or any part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any part of the undertaking or assets of any of them, and (ii) in any such case (other than the appointment of an administrator) unless initiated by the relevant company is not discharged within 14 days; or

(g) if the Issuer or any of its Subsidiaries (or their respective directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or

(h) if any government authority or agency condemns, seizes, compulsorily purchases or expropriates all or any material part of the assets or shares of the Issuer or any of its Subsidiaries without fair compensation; or

(i) if at any time the Government of India ceases to own (directly or indirectly) more than 50.0 per cent. of the voting securities of the Issuer; or

(j) a moratorium (which expression shall not include any deferral of principal originally contemplated and made in accordance with the terms of any loan or other financing related agreement) is agreed or declared by the Issuer in respect of any Indebtedness for Borrowed Money (including any obligations arising under guarantees) of the Issuer or any of its Subsidiaries; or

(k) if the Issuer or any of its Subsidiaries is or becomes entitled or subject to, or is declared by law or otherwise to be protected by, immunity (sovereign or otherwise) and Condition 18.4 is held to be invalid or unenforceable; or

(l) it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes or the Trust Deed; or

(m) if any event occurs which, under the laws of any Relevant Jurisdiction, has or may have, in the Trustee's opinion, an analogous effect to any of the events referred to in subparagraphs (d) to (h) inclusive, (k) and (l).

ECB Guidelines require the Issuer to obtain the prior approval of the RBI or the AD Bank, as the case may be, before effecting a redemption of Notes prior to their stated maturity even in case of an event of default and such approval may not be forthcoming.

11.2 Enforcement

Notwithstanding the provisions of Condition 16 requiring the Trustee to convene a meeting of Noteholders on the occurrence of an Event of Default or Potential Event of Default, the Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer as it may think fit to enforce the provisions of the Trust Deed, the Notes, the Receipts and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes, the Receipts or the Coupons unless (i) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least 25 per cent. in nominal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

Payments of any amounts outside India by the Issuer under an indemnity clause may require the prior approval of the RBI.

12. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced subject to applicable laws, regulations and relevant stock exchange regulations at the specified office of the Principal Paying Agent (in the case of Bearer Notes, Receipts or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer and the Principal Paying Agent may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

13. PAYING AGENTS, REGISTRAR AND TRANSFER AGENTS

The names of the initial Paying Agents, the initial Registrar and the other initial Transfer Agents and their initial specified offices are set out below.

The Issuer is entitled, after consultation with the Trustee, to vary or terminate the appointment of the Principal Paying Agent, Paying Agent, Registrar or Transfer Agent and/or appoint additional or other Paying Agents, Registrar or Transfer Agents and/or approve any change in the specified office through which any Agent acts, provided that:

(a) there will at all times be the Principal Paying Agent and a Registrar;

(b) so long as the Notes are listed on any stock exchange, there will at all times be a Paying Agent, which may be the Principal Paying Agent, and Transfer Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange (or any other relevant authority);

(c) the Issuer will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other law implementing or complying with, or introduced in order to conform to, such Directive; and

(d) so long as the Notes are listed on the SGX-ST, if the Notes are issued in definitive form, there will at all times be a Paying Agent in Singapore unless the Issuer obtains an exemption from the SGX-ST.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 7.5. Notice of any variation, termination, appointment or change in Paying Agents will be given promptly to the Noteholders by the Issuer in accordance with Condition 15.

In acting under the Agency Agreement, the Paying Agents, Registrar and the Transfer Agents act solely as agents of the Issuer and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

14. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 10.

15. NOTICES

Notices to holders of Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an overseas address) by air mail to them at their respective addresses as recorded in the Register and will be deemed to have been validly given on the fourth day after the date of such mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading daily newspaper of general circulation in Asia or such other English language daily newspaper with general circulation in Asia as the Trustee may approve. It is expected that such publication will be made in the *Asian Wall Street Journal*. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange (or any other relevant authority) on which the Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If, in the opinion of the Trustee, publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) or such mailing the delivery by electronic mail of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange and the rules of that stock exchange (or any other relevant authority) so require, such notice will be published in a daily newspaper of general circulation in the place or places required by the rules of that stock exchange (or any other relevant authority). Any such notice shall be deemed to have been given to the holders of the Notes on the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

Receiptholders and Couponholders will be deemed for all purposes to have notice of the contents of any notice given to Noteholders in accordance with this Condition 15.

16. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and the Trustee (subject in each of the instances referenced below to it being indemnified and/or secured and/or prefunded to its satisfaction) shall upon (a) a request in writing of one or more Noteholders holding not less than one-tenth of the nominal amount of the Notes for the time being outstanding; or (b) the receipt of notice from the Issuer pursuant to Clause 13(vi) of the Trust Deed of the occurrence of an Event of Default or a Potential Event of Default, convene a meeting of the Noteholders for the purpose of obtaining instructions from the Noteholders as to the actions (if any) to take in connection with the matters in respect of which the Noteholders have requested a meeting or such Event of Default or Potential Event of Default in a manner more specifically provided in the Trust Deed. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts, the Coupons or the Trust Deed (including, *inter alia*, modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

The Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or potential Event of Default shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest or proven error. Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders by the Issuer in accordance with Condition 15 as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders, Receiptholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders, Receiptholders or Couponholders except to the extent already provided for in Condition 9 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 9 pursuant to the Trust Deed.

The Trustee may, without the consent of the Noteholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Notes, the Receipts, the Coupons and the Trust Deed of any Subsidiary, subject to (a) the Notes being unconditionally and irrevocably guaranteed by the Issuer, (b) the Trustee being satisfied that the interests of the Noteholders are not materially prejudiced by the substitution and (c) certain other conditions set out in the Trust Deed being complied with.

Any such modification, waiver, authorisation, determination or substitution shall be binding on the Noteholders, the Receiptholders and the Couponholders and, unless the Trustee otherwise agrees, any such modification or substitution shall be promptly notified to Noteholders by the Issuer in accordance with Condition 15.

17. INDEMNIFICATION OF THE TRUSTEE AND TRUSTEE CONTRACTING WITH THE ISSUER

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, Receiptholders or Couponholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

Repatriation of proceeds outside India by the Issuer under an indemnity clause may require the prior approval of the RBI in accordance with the extant laws and regulations.

18. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Notes.

19. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

20. GOVERNING LAW AND SUBMISSION TO JURISDICTION

20.1 Governing law

The Trust Deed, the Agency Agreement, the Notes, the Receipts, the Coupons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Agency Agreement, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law.

20.2 Submission to jurisdiction

(a) Subject to Condition 20.2(c) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Trust Deed, the Notes, the Receipts and/or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes, the Receipts and/or the Coupons (a **Dispute**) and all Disputes will be submitted to the exclusive jurisdiction of the English courts.

(b) For the purposes of this Condition 20.2, the Issuer waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

(c) This Condition 20.2(c) is for the benefit of the Trustee, the Noteholders, the Receiptholders and the Couponholders only. To the extent allowed by law, the Trustee, the Noteholders, the Receiptholders and the Couponholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

20.3 Appointment of Process Agent

The Issuer irrevocably appoints Bank of India, London Branch at its specified office for the time being at 4th Floor, 63 Queen Victoria Street, London EC4N 4VA as its agent for service of process in any proceedings before the English courts in relation to any Dispute, and agrees that, in the event of Bank of India, London Branch being unable or unwilling for any reason so to act, it will immediately appoint another person approved by the Trustee as its agent for service of process in England in respect of any Dispute. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve process in any other manner permitted by law.

20.4 Waiver of Immunity

To the fullest extent permitted by law, the Issuer irrevocably and unconditionally:

(a) submits to the jurisdiction of the English courts in relation to any Dispute and waives and agrees not to claim any sovereign or other immunity from the jurisdiction of the English courts in relation to any Dispute (including to the extent that such immunity may be attributed to it), and agrees to ensure that no such claim is made on its behalf;

(b) submits to the jurisdiction of the English courts and the courts of any other jurisdiction in relation to the recognition of any judgment or order of the English courts or the courts of any other jurisdiction in relation to any Dispute and waives and agrees not to claim any sovereign or other immunity from the jurisdiction of the English courts or the courts of any other jurisdiction in relation to the recognition of any such judgment or court order and agrees to ensure that no such claim is made on its behalf; and

(c) consents to the enforcement of any order or judgment made or given in connection with any Dispute and the giving of any relief in the English courts and the courts of any other jurisdiction whether before or after final judgment including, without limitation: (i) relief by way of interim or final injunction or order for specific performance or recovery of any property; (ii) attachment of its assets; and (iii) enforcement or execution against any property, revenues or other assets whatsoever (irrespective of their use or intended use) and waives and agrees not to claim any sovereign or other immunity from the jurisdiction of the English courts or the courts of any other jurisdiction in relation to such enforcement and the giving of such relief (including to the extent that such immunity may be attributed to it), and agrees to ensure that no such claim is made on its behalf.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Issuer to finance power projects in accordance with the approvals granted by the RBI from time to time in this relation and in accordance with the ECB Guidelines.

CAPITALISATION

The following table sets forth the unaudited non-consolidated indebtedness and capitalisation of the Issuer as of 31 December 2014. This table should be read in conjunction with the Issuer's unaudited but reviewed non-consolidated financial statements as of 31 December 2014 and the schedules and notes presented elsewhere herein.

	As of 31 December 2014(1)	
	(₹ in millions)	(U.S.$ in millions)(3)
Debt:		
Short term(2)		
- Secured	893.9	14.0
- Unsecured	40,954.4	641.9
Total short term debt	41,848.3	655.9
Long term		
- Secured	227,766.6	3,570.0
- Unsecured	1,439,945.1	22,569.7
Total long term debt	1,667,711.7	26,139.7
Total debt	1,709,560.0	26,795.6
Shareholders' funds:		
Issued and fully paid up capital(4)	13,200.4	206.9
Reserves & surplus (excluding revaluation reserve)	306,143.4	4,798.5
Total capital and reserves	319,343.8	5,005.4
Total capitalisation	319,343.8	5,005.4

Contingent liabilities of the Issuer as of 31 March 2014 amounted to ₹27,284 million.

Notes:

(1) The Issuer's financial statements for the nine months ended 31 December 2014 are based on unaudited, reviewed non-consolidated financial statements.

(2) Short term debt is debt maturing within the twelve months following 31 December 2014.

(3) U.S. dollar translations have been made using the exchange rate of U.S.$1.00 = ₹63.8 as of 31 December 2014, based on the reference rate of the RBI prevailing at that date.

(4) As of 31 December 2014, the Issuer's authorised capital was ₹20,000 million comprising 2,000 million ordinary shares of ₹10 each, of which 1,320.04 million shares were issued.

INVESTMENT CONSIDERATIONS

Investors should carefully consider the following investment considerations as well as the other information contained in this Offering Circular prior to making an investment in the Notes. In making an investment decision, each investor must rely on its own examination of the Issuer and the terms of the offering of the Notes, including the merits and risks involved. The risks described below are not the only ones that may affect the Notes. Additional risks not currently known to the Issuer or that the Issuer, based on the information currently available to it, deems immaterial may also impair the Issuer's business, financial condition and results of operations. All of these risks are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. If any of the following or any other risks actually occur, the Issuer's business, prospects, results and financial condition could be adversely affected and the price of and the value of investment in the Notes could decline and all or part of the investments in the Notes may be lost.

Risk Relating to the Issuer's Business

The Issuer has a significant concentration of outstanding loans to certain borrowers, particularly public sector power utilities, many of which are historically loss-making, and if these loans become non-performing, the quality of the Issuer's asset portfolio may be adversely affected.

The Issuer is a public financial institution focused on the power sector in India, which has a limited number of borrowers, the most significant of them being SPUs and SEBs, many of which have been historically loss making. The Issuer's past exposure has been, and future exposure is expected to be, concentrated towards these borrowers. As of 31 March 2014, the Issuer's state sector, central sector, joint sector and private sector borrowers accounted for 67 per cent., 11 per cent., 7 per cent. and 15 per cent., respectively, of its total outstanding loans. Historically, public sector utilities have had a relatively weak financial position and have in the past defaulted on their indebtedness. Consequently, the Issuer has had to restructure some of the loans sanctioned to certain SPUs and SEBs, including the rescheduling of repayment terms. In addition, many of the Issuer's public sector borrowers, particularly SPUs, are susceptible to various operational risks including low metering at the distribution transformer level, high revenue gap, high receivables, low plant load factors and high AT&C losses, which may lead to further deterioration in the financial condition of such entities. Also see "*Investment Considerations — Some of the Issuer's SEB borrowers have been restructured and the Issuer has not yet entered into definitive loan agreements with such restructured entities, which could affect the Issuer's ability to enforce applicable loan terms and related state government guarantees*." and "*Investment Considerations — The escrow account mechanism and the trust and retention account arrangements implemented by the Issuer as a quasi-security mechanism in connection with the payment obligations of its borrowers may not be effective, which could adversely affect the Issuer's financial condition and results of operations*."

As of 31 March 2014, the Issuer's single largest borrower accounted for 7.5 per cent. (₹142,331.2 million) of its total outstanding loans, and the Issuer's top five and top ten borrowers accounted for, in the aggregate, 28.3 per cent. (₹536,368.6 million) and 45.4 per cent. (₹861,049.6 million), respectively, of its total outstanding loans. In addition, the Issuer has additional exposure to these borrowers in the form of non-fund based assistance. For further information, see section titled "*Selected Statistical Information*". Any negative trends or financial difficulties, or an inability on the part of such borrowers to manage operational, industry and other risks applicable to such borrowers, could result in an increase in the Issuer's non-performing assets and adversely affect its business, financial condition and results of operations.

The Issuer may not have obtained sufficient security or collateral in connection with its loans, or may be unable to recover, or experience delays in recovering, the expected value from such security or collateral.

Although the Issuer endeavours to obtain adequate security or implement quasi-security arrangements in connection with its loans, the Issuer has not obtained such security or collateral for all of its loans. In addition, in connection with certain of its loans, the Issuer has either been able to obtain only partial security or it has made disbursements prior to adequate security being created or perfected. There can be no assurance that any security or collateral that the Issuer has obtained will be adequate to cover repayment of its loans or interest payments thereon or that the Issuer will be able to recover the expected value of such security or collateral in a timely manner, or at all. As of 31 March 2014, 79.2 per cent. of the Issuer's outstanding loans were secured by a charge on the relevant project assets, 15.3 per cent. were unsecured (but guaranteed by the relevant state government), and 5.5 per cent. were unsecured.

The Issuer's loans are typically secured by various movable and immovable assets and/or other collateral. The Issuer generally seeks a first ranking *pari passu* charge on the relevant project assets for loans extended on a senior basis, while for loans extended on a subordinated basis, the Issuer generally seeks to have a second *pari passu* charge on the relevant project assets. In addition, some of the Issuer's loans may relate to imperfect security packages or negative liens provided by its borrowers. The value of certain kinds of assets may decline due to operational risks that are inherent to power sector projects, the nature of the asset secured in the Issuer's favour and any adverse market or economic conditions in India or globally. The value of the security or collateral obtained may also decline due to an imperfection in the title or difficulties in locating movable assets. See also "*Investment Considerations — The Issuer has granted loans to the private sector on a non-recourse or limited recourse basis, which increases the risk of non-recovery and may adversely affect the Issuer's financial condition*". Although several pieces of legislation in India provide for various rights of creditors for the effective realisation of collateral in the event of a default, there can be no assurance that the Issuer will be able to enforce such rights in a timely manner, or at all. There could be delays in implementing bankruptcy or foreclosure proceedings, general economic conditions adversely affecting the value of the relevant security or collateral, inadequate security documentation or imperfection in title to security or collateral, requirement of regulatory approvals for enforcement of security or collateral, or fraudulent transfers by borrowers. In addition, certain of the Issuer's loans have been granted as part of a syndicate, and joint recovery action implemented by a consortium of lenders may be susceptible to delay. Furthermore, in the event that any specialised regulatory agency assumes jurisdiction over a defaulting borrower, actions on behalf of creditors may be further delayed.

In addition, the RBI has developed a corporate debt restructuring (**CDR**) process to enable the timely and transparent debt restructuring of corporate entities that are beyond the jurisdiction of the Board of Industrial and Financial Reconstruction, the Debt Recovery Tribunal and other legal proceedings. The applicable RBI guidelines contemplate that, in the case of indebtedness aggregating ₹100.00 million or more, lenders for more than 75.0 per cent. of such indebtedness by value and 60.0 per cent. by number may determine the restructuring of such indebtedness and such determination is binding on the remaining lenders. In circumstances where other lenders account for more than 75.0 per cent. of such indebtedness by value and 60.0 per cent. by number and are entitled to determine the restructuring of the indebtedness of any of the Issuer's borrowers, the Issuer may be required by such other lenders to agree to such debt restructuring irrespective of the Issuer's preferred mode of settlement of its loan to such borrower. Furthermore, with respect to any loans made as part of a syndicate, a majority of the relevant lenders may elect to pursue a course of action that may not be favourable to the Issuer.

The CDR process is a voluntary non-statutory system based on debtor-creditor agreement and inter-creditor agreement. If 75 per cent of creditors by value and 60 per cent of the creditors by number agree to a restructuring package of an existing debt (i.e. an outstanding debt), the agreement is also binding on the remaining creditors. The CDR mechanism covers multiple banking accounts and syndication/consortium accounts where all banks and institutions together have an outstanding aggregate exposure of ₹ 100 million and above. As of the date of this Offering Circular, the Issuer is not a member of the CDR process.

The Issuer's ability to compete effectively is dependent on its ability to maintain a low effective cost of funds.

The Issuer's ability to compete effectively is dependent on its timely access to capital, the costs associated with raising capital and the Issuer's ability to maintain a low effective cost of funds in the future that is comparable or lower than that of its competitors. Historically, the Issuer has been able to reduce its cost of capital and reliance on commercial borrowings through the issuance of Rupee-denominated bonds and loans guaranteed by the GoI. The Issuer also benefits from certain tax benefits extended by the GoI. For further information on the applicability of prudential norms, see "*Description of the Issuer*". In addition, in respect of certain of the Issuer's foreign currency borrowings guaranteed by the GoI, the Issuer has been exempted from guarantee fees payable to the GoI, which has also enabled the Issuer to reduce its costs of funds. There can be no assurance that the Issuer will continue to benefit from any direct or indirect support from the GoI and any adverse development in GoI policies may result in an increase in its cost of funds.

Following a general decrease in the level of direct and indirect financial support by the GoI to the Issuer in recent years, the Issuer is fundamentally dependent upon funding from the equity and debt markets and commercial borrowings and is particularly vulnerable in this regard given the growth of the Issuer's business. The market for such funds is competitive and there can be no assurance that the Issuer will be able to obtain funds on acceptable terms, or at all. Many of the Issuer's competitors have greater and cheaper sources of funding than the Issuer. Furthermore, many of the Issuer's competitors may have larger resources or greater balance sheet strength than the Issuer and may have considerable financing resources. In addition, since the Issuer is a non-deposit taking NBFC, the Issuer may have restricted access to funds in comparison to banks and deposit taking NBFCs. While the Issuer has generally been able to pass any increased cost of funds onto its customers, the Issuer may not be able to do so in the future. If the Issuer's financial products are not competitively priced, there is a risk of its borrowers raising loans from other lenders and in the case of financially stronger SPUs and SEBs and private sector borrowers, the risk of their raising funds directly from the market. The Issuer's ability to raise capital also depends on its ability to maintain its credit ratings in order to access various cost competitive funding options. The Issuer is also dependent on its classification as an IFC which enables the Issuer, among other things, to diversify its borrowings through the issuance of Rupee-denominated infrastructure bonds that offer certain tax benefits to bondholders as and when such schemes are notified by the GoI and to raise, under the automatic route (without the prior approval of the RBI), ECBs of up to U.S.$750.00 million or its equivalent each fiscal year, subject to the aggregate outstanding ECBs not exceeding 75.0 per cent. of the Issuer's owned funds including outstanding foreign currency borrowings.

In addition, adverse developments in economic and financial markets or the lack of liquidity in financial markets could make it difficult for the Issuer to access funds at competitive rates. For example, the Issuer's funding strategy was adversely affected by the global financial crisis in fiscal 2009. Since September 2008, liquidity and credit concerns as well as volatility in the global credit and financial markets increased significantly with the bankruptcy or acquisition of, and government assistance extended to, several major U.S. financial institutions.

Recent developments in the Eurozone have aggravated the on-going global economic crisis. Large budget deficits and rising public debts in Europe have triggered sovereign debt finance crises that resulted in the bailouts of European economies and elevated the risk of government debt defaults, forcing governments to undertake aggressive budget cuts and adopt other austerity measures, in turn underscoring the risk of global economic and financial market volatility. Moreover, in 2012, the sovereign rating of various European Union countries was downgraded. Financial markets and the supply of credit could continue to be negatively impacted by the on-going concerns surrounding the sovereign debts and/or fiscal deficits of several countries in Europe, the possibility of further downgrades of, or defaults on, sovereign debt, concerns about a slowdown in growth in certain economies and uncertainties regarding the stability and overall standing of the European Monetary Union. These and other related events have resulted in increased borrowing costs and difficulty in accessing funds in a cost effective manner. If the Issuer is not able to maintain a low effective cost of funds, the Issuer may not be able to implement its growth strategy, competitively price its loans and, consequently, the Issuer may not be able to maintain the profitability or growth of its business, which could have a material adverse effect on the Issuer's business, financial condition and results of operations.

An increase in the level of the Issuer's NPAs could adversely affect its financial condition.

In the past, the Issuer's gross NPAs have been as indicated below:

Particulars as of	(₹ million)	**As % of total loan assets**
31 March 2011.	2,306.5	0.23%
31 March 2012.	13,584.7	1.04%
31 March 2013.	11,345.1	0.71%
31 March 2014.	12,277.1	0.65%

The provisioning has been made in terms of prudential norms laid down internally by the Issuer. For further information, see section titled "*Financial Statements — Significant Accounting Policies*" and "*Selected Statistical Information*". For further information on the applicability of prudential norms, see "*Description of the Issuer*". As the Issuer is required to follow a borrower-wise NPA determination policy for its government sector borrowers, the Issuer's NPA levels may increase substantially, which may have a material adverse effect on the Issuer's business, financial condition and results of operations. In addition, the Issuer may, from time to time, amend its policies and procedures regarding asset classification or rescheduling of its loans, which may also increase the Issuer's level of NPAs. Furthermore, the Issuer is required to assign a risk weight of 20.0 per cent. to those state government guaranteed loans which are not in default. However, if such loans default and remain in default for a period of more than 90 days, a risk weight of 100.0 per cent. is assigned. The Issuer's loans made to the private sector are generally consistent with the lending (exposure) norms stipulated by the RBI. For further information on RBI regulations and guidelines applicable to the Issuer, see "*Regulations and Policies in India*". If RBI provisioning norms were to become applicable to the Issuer, the Issuer's level of NPAs and provisions with respect thereto could be significantly higher. If the Issuer is not able to prevent increases in its level of NPAs, the Issuer's business and future financial condition could be adversely affected.

An inability to develop or implement effective risk management policies and procedures could expose the Issuer to unidentified risks or unanticipated levels of risk.

Although the Issuer follows various risk management policies and procedures to identify, monitor and manage risks, there can be no assurance that such policies and procedures will be effective in addressing all risks that the Issuer encounters in its business and operations or that such policies and procedures are as comprehensive as those implemented by banks and other financial institutions. The Issuer's risk management policies and procedures are based, among other considerations, on historical market behaviour, information regarding borrowers, and market knowledge. Consequently, these policies and procedures may not predict future risk exposures that could vary from or be greater than those indicated by historical measures. In addition, information available to the Issuer may not be accurate, complete, up-to-date or properly evaluated. Unexpectedly large or rapid movements or disruptions in one or more financial markets or other unforeseen developments could have a material adverse effect on the Issuer's results of operations and financial condition. The Issuer's risk management policies and procedures are also influenced by applicable GoI policies and regulations, and may prove inadequate or ineffective in addressing risks that arise as a consequence of any development in GoI policies and regulations that adversely affect the Issuer's business and operations.

In addition, the Issuer intends to continue to diversify its borrower portfolio and extend fund based and non-fund based financial and other assistance and services to projects that represent forward and backward linkages to the core power sector projects. These business initiatives may involve operational and other risks that are different from those the Issuer currently encounters or anticipates, and there can be no assurance that the Issuer will be able to effectively identify and address any additional risks that apply to such business initiatives. An inability to develop, modify and implement effective and dynamic risk management policies and procedures may adversely affect the Issuer's growth strategy. Management of operational, legal and regulatory risk requires, among others, policies and procedures to accurately record and verify transactions and events. There can be no assurance that the Issuer's policies and procedures will effectively and accurately record and verify such information. Failure of the Issuer's risk management policies and procedures or exposure to unanticipated risks could lead to losses and adversely affect the Issuer's business, financial condition and results of operations.

As an NBFC and an IFC, the Issuer is required to adhere to certain individual and borrower group exposure limits prescribed by the RBI.

The Issuer is a systemically important non-deposit taking NBFC and is subject to various regulations by the RBI as an NBFC. With effect from 28 July 2010, the Issuer has been classified as an IFC by the RBI, which classification is subject to certain conditions including (i) a minimum of 75.0 per cent. of the total assets of such NBFC should be deployed in infrastructure loans (as defined under the Non Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007); (ii) net owned funds of ₹3,000.00 million or more; (iii) a minimum credit rating of "A" or an equivalent credit rating of CRISIL, FITCH, CARE, ICRA or equivalent rating by any other accrediting rating agencies; (iv) a capital to risk-weighted asset ratio of 15.0 per cent. (with a minimum Tier I capital of 10.0 per cent.); and (v) a restriction which states that the Issuer cannot accept deposits. Tier I capital for such purposes means owned funds as reduced by an investment in the shares of other NBFCs and in shares, debentures, bonds, outstanding loans and advances including hire purchase and lease finance made to and deposits with subsidiaries and companies in the same group exceeding, in aggregate, 10.0 per cent. of the owned funds and perpetual debt instruments issued by a systemically important non-deposit taking NBFC in each year to the extent it does not exceed 15.0 per cent. of the aggregate Tier I capital of such company as of 31 March of the previous accounting year.

The maximum exposure ceilings as prescribed in respect of systemically important non-deposit taking NBFCs that are also IFCs under the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 are set out below:

Concentration of credit / investment	Loan company	Infrastructure Finance Company
Lending ceilings		
Lending to any single borrower	15% (+ 5*)	25%
Lending to any single group of borrowers	25% (+ 10*)	40%
Investing ceilings		
Investing in shares of a company	15% (+ 5*)	15% (+ 5*)
Investing in shares of a single group of companies	25% (+ 10*)	25% (+ 10*)
Loans and investment taken together		
Lending and investing to single party	25% (+ 5*)	30%
Lending and investing to single group of parties	40% (+ 10*)	50%

* Additional exposure applicable in case the same is due to an infrastructure loan and/or investment.

As of 31 March 2014, the Issuer's CRAR was 20.10 per cent. Any inability to continue to be classified as an IFC may impact the Issuer's growth plans by affecting its competitiveness. As an IFC, the Issuer has to constantly monitor its compliance with the necessary conditions, which may hinder the Issuer's future plans to diversify into new business lines. In the event that the Issuer is unable to comply with the eligibility condition(s), the Issuer may be subject to regulatory actions by the RBI and/or the cancellation of its registration as a systemically important non-deposit taking NBFC that is also an IFC. Any levy of fines or penalties or the cancellation of the Issuer's registration as an NBFC or IFC may adversely affect the Issuer's business, prospects, results of operations and financial condition.

In addition, the Issuer's ability to borrow from various banks may be restricted under guidelines issued by the RBI imposing restrictions on banks in relation to their exposure to NBFCs. For example, according to the RBI, the exposure (for both lending and investment, including off balance sheet exposures) of a bank to a single NBFC should not exceed 10.0 per cent. of the bank's capital funds as per its last audited balance sheet. A bank may, however, assume exposure on a single NBFC of up to 15.0 per cent. of its capital funds provided the exposure in excess of 10.0 per cent. is on account of funds on-lent by the NBFC to the infrastructure sector. Furthermore, exposure of a bank to IFCs should not exceed 15.0 per cent. of its capital funds as per its last audited balance sheet, with a provision to increase the limit to 20.0 per cent. if the same is on account of funds on-lent by the IFCs to the infrastructure sector. Banks may also set internal limits for their aggregate exposure to the power sector taken as a whole. Although the Issuer does not believe such exposure limits have had any adverse effects on its own liquidity, there is a possibility that individual lenders from whom the Issuer currently borrows may not be able to continue to provide funds to the Issuer.

As the Issuer grows its business and increases its borrowings, it may face similar limitations with other lenders, which could impair the Issuer's growth and interest margins. See also "*Investment Considerations — Material changes in the regulations that govern the Issuer and its borrowers could cause the Issuer's business to suffer*" and for further information on the applicability of prudential norms, see "*Description of the Issuer*".

The Issuer's contingent liabilities in the event they were to materialise could adversely affect the Issuer's business, financial condition and results of operations.

As of 31 March 2014, the Issuer had contingent liabilities of ₹27,284.0 million including non-funded contingent exposure of ₹3,242.7 million in the form of guarantees, ₹22,749.6 million in the form of letters of comfort issued to borrowers' banks in connection with letters of credit and other contingent liabilities of ₹1,291.7 million. If these contingent liabilities materialise, the Issuer's financial condition could be adversely affected. For further information on the Issuer's contingent liabilities, see "*Description of the Issuer — Legal and Regulatory Proceedings*".

The Issuer is involved in a number of legal proceedings, including taxation related proceedings that, if determined against the Issuer, could adversely affect the Issuer's business and financial condition. In addition, any adverse finding by any regulatory or investigative agency could have a negative impact on the Issuer.

The Issuer is a party to various legal proceedings. These legal proceedings are pending at different levels of adjudication before various courts, tribunals, statutory and regulatory, authorities/other judicial authorities and, if determined against the Issuer, could have an adverse impact on the Issuer's business financial condition and results of operations. For further information relating to outstanding litigation against the Issuer, see "*Description of the Issuer — Legal and Regulatory Proceedings*". No assurances can be given as to whether these legal proceedings will be decided in the Issuer's favour or have no adverse outcome, nor can any assurance be given that no further liability will arise out of these claims. In addition, there have been some press reports of a former senior management personnel of the Issuer being investigated by the Central Vigilance Commission of India (the **CVC**) in relation to the extension of certain loans by the Issuer. No assurances can be given that the CVC investigation will not have an adverse impact on the Issuer.

See also "*Investment Considerations — The Issuer's contingent liabilities in the event they were to materialise could adversely affect the Issuer's business, financial condition and results of operations*".

The power sector in India and the Issuer's business and operations are regulated by, and are directly and indirectly dependent on, GoI policies and support, which makes the Issuer susceptible to any adverse developments in such GoI policies and support.

The Issuer is a majority Government-owned company operating in a regulated industry, and the GoI, acting through the MoP, exercises significant influence on key decisions relating to the Issuer's operations, including with respect to the appointment and removal of members of the Issuer's Board, and can determine various corporate actions that require the approval of the Issuer's Board or shareholders, including proposed budgets, transactions with other Government companies or GoI entities and agencies, and the assertion of any claim against such entities. The GoI has also issued directions in connection with the payment of dividends by Government companies.

The power sector in India and the Issuer's business and operations are regulated by, and are directly or indirectly dependent on, GoI policies and support for the power sector. The GoI has implemented various financing schemes and incentives for the development of power sector projects, and the Issuer, as is the case for other Government companies, is responsible for the implementation of, and providing support to, such GoI schemes and initiatives. The Issuer may therefore be required to follow public policy directives of the GoI by providing financing for specific projects or sub-sectors in the public interest which may not be consistent with the Issuer's commercial interests. In addition, the Issuer may be required to provide financial or other assistance and services to public sector borrowers, the GoI and other government agencies in connection with the implementation of such GoI initiatives, resulting in diversion of management focus and resources from the Issuer's core business interests. Any developments in GoI policies or in the level of direct or indirect support provided to the Issuer or its borrowers by the GoI in these or other areas could adversely affect the Issuer's business, financial condition and results of operations.

Risks inherent to power sector projects, particularly power generation projects, could adversely affect the Issuer's business, financial condition and results of operations.

The Issuer is a financial institution focused on providing financial and other assistance and related services to power sector projects. Power sector projects, particularly power generation projects, typically involve long gestation periods before they become operational and involve various project-specific risks as well as risks that are generally applicable to the power sector in India. Many of these risks are beyond the Issuer's control and include:

- political, regulatory, fiscal, monetary and legal actions and policies that may adversely affect the viability of power sector projects that the Issuer finances, including changes in any tariff regulations applicable to power plants;
- delays in the implementation of GoI policies and initiatives;
- environmental concerns and environmental regulations applicable to power sector projects that the Issuer finances, including, for example, relevant coal mining areas being classified as "no-go" areas;
- delays in obtaining environmental clearances or land for the projects that the Issuer finances;

- extent and reliability of power sector infrastructure in India;
- strikes, work stoppages or increased wage demands by employees or any other disputes with employees that affect the project implementation schedule or operations of the projects that the Issuer finances;
- adverse changes in demand for, or the price of, power generated or distributed by the projects that the Issuer finances;
- disruption of projects due to explosions, fires, earthquakes and other natural disasters, breakdown, failure or substandard performance of equipment, improper installations or operation of equipment, accidents, operational problems, transportation interruptions, other environmental risks and labour disputes;
- the willingness and ability of consumers to pay for the power produced by projects that the Issuer finances;
- shortages of, or adverse price fluctuations in, fuel and other raw materials and key inputs involved in power generation, including coal, oil and natural gas;
- increase in project development costs due to environmental challenges and changes in environmental regulations;
- changes in credit ratings of the Issuer's borrowers affecting their ability to finance projects;
- interruption or disruption in domestic or international financial markets, whether for equity or debt funds;
- delays in the construction and operation of projects that the Issuer finances;
- potential defaults under financing arrangements of project companies and their equity investors;
- failure of co-lenders (with the Issuer under consortium lending arrangements) to perform their contractual obligations;
- failure of third parties such as contractors, fuel suppliers, sub-contractors and others to perform their contractual obligations in respect of projects that the Issuer finances;
- adverse developments in the overall economic environment in India;
- failure to supply power to the market due to unplanned outages of any projects that the Issuer finances, failure in transmission systems or inter-regional transmission or distribution systems;
- adverse fluctuations in liquidity, interest rates or currency exchange rates; and
- economic, political and social instability or occurrences such as natural disasters, armed conflict and terrorist attacks, particularly where projects are located in the markets they are intended to serve.

The long-term profitability of power sector projects, when commissioned, is partly dependent on the efficiency of their operation and maintenance of their assets. Delayed implementation, initial complications, inefficient operations, inadequate maintenance and similar factors may reduce the profitability of such projects, adversely affecting the ability of the Issuer's borrowers to repay the Issuer's loans or service interest payments thereon. Furthermore, power sector projects may be exposed to unplanned interruptions caused by catastrophic events such as floods, earthquakes, fires, major plant breakdowns, pipeline or electricity line ruptures or other disasters. Operational disruption, as well as supply disruption, could adversely affect the cash flows available from these projects. Furthermore, the cost of repairing or replacing damaged assets could be considerable. Repeated or prolonged interruption may result in a permanent loss of customers, substantial litigation or penalties and/or regulatory or contractual non-compliance. To the extent the risks mentioned above or other risks relating to the power sector projects that the Issuer finances materialise, the quality of the Issuer's asset portfolio and the Issuer's results of operations may be adversely affected. Furthermore, as the Issuer continues to expand its operations, its loans to individual projects may increase, thereby increasing its exposure with respect to individual projects and the potential for adverse effects on the Issuer's business, financial condition and results of operations in the event these risks were to materialise.

Risks inherent to power generation companies, who comprise a significant portion of the Issuer's borrowers, could adversely affect its business, financial condition and results of operations.

Many of the Issuer's borrowers are power generation companies who face various industry-specific risks as well as risks that are generally applicable to the power sector in India. Many of these risks are beyond the Issuer's control and include the following:

- activities in the power generation business can be dangerous and can cause injury to people or property;
- power generation companies may have limited access to funding for the development and implementation of their power projects which may limit the expansion of their business;
- changes in technology may negatively impact power generation companies by making their equipment or power projects less competitive or obsolete;
- the provisions of the Electricity Act, 2003 have significantly increased competition in the power generation industry which may negatively impact individual power generation companies;
- changes to tariff regulations may adversely affect the revenues and results of operations for power generation companies;
- compliance with strict environmental regulations; and
- fluctuating fuel costs.

To the extent the risks mentioned above or other risks relating to power generation companies materialise, the quality of the Issuer's asset portfolio and the Issuer's results of operations may be adversely affected. Furthermore, as the Issuer continues to expand its operations, its loans to individual power generation companies may increase, thereby increasing its exposure with respect to individual power generation companies and the potential risk for adverse effects on the Issuer's business, financial condition and results of operations in the event these risks were to materialise.

Failure to manage any acquisition that the Issuer makes may cause its profitability to suffer.

As of the date of this Offering Circular, the Issuer is not evaluating any merger and acquisition opportunities however it may take advantage of merger and acquisition opportunities in the future if suitable opportunities arise. These may require significant investments which may adversely affect the Issuer's business and revenues. Furthermore, the Issuer, is not permitted to carry out any merger or acquisitions without prior approval from the GoI. Acquisitions involve additional risks, including the following:

- impact of unforeseen risks, such as contingent or latent liabilities relating to the acquired businesses that become apparent only after the merger or acquisition is finalised;
- success or failure of integration and management of the acquired operations and systems;
- success or failure of retention of select personnel; or
- impact of diversion of the Issuer management's attention from other ongoing business concerns.

If the Issuer is unable to integrate the operations of an acquired business successfully or manage such future acquisitions profitably, its revenues and results of operations may be adversely affected.

If inflation increases, the Issuer's results of operations and financial condition may be adversely affected.

India has experienced high levels of inflation since 1980. The average annual inflation rates from January 2010 to December 2014 remained at 9.6 per cent. (*Source: CEIC (CPI for Industrial Workers)*) India's persistently high inflation has moderated recently due to favourable base effects, a tight monetary stance, lower global commodity prices and Government efforts to contain food inflation. (*Source: IMF Country Report No. 15/61*)

CPI inflation has receded from 11.2 per cent. in November 2013 to 5.37 per cent. in February 2015. This slowing of inflation was underpinned by several policy actions, including the RBI raising the repo rate by a cumulative 75 basis points between September 2013 and January 2014, limited increases in agricultural procurement prices, and the release of food grain stocks, lower oil prices, and favourable base effects.

According to the most recently available data, WPI inflation was recorded at 0.39 per cent. in January 2015, slowing from a 0.11 per cent. in December 2014, the lowest rate since October 2009, mainly due to a fall in the prices of food and petrol. (*Source: CPI from Ministry of Statistics and Programme Implementation dated Mar 12, 2015, http://mospi.nic.in; WPI from RBI Bulletin dated Feb 12, 2015, http://www.rbi.org.in*)

The upside risks to inflation stem from the possibility of significant fiscal slippage, uncertainty on the spatial and temporal distribution of the monsoon during 2015 as also the risks of a reversal of international crude prices due to geo-political events. Heightened volatility in global financial markets, including through the exchange rate channel, also constitute a significant risk to the inflation assessment. (*Sixth Bi-Monthly Monetary Policy Statement, 2014-15 By Dr. Raghuram G. Rajan, Governor: http://www.rbi.org.in/scripts/BS_PressReleaseDisplay.aspx?prid=33144*) In the event that domestic inflation or global inflation increases, certain of the Issuer's costs, such as salaries, which are typically linked to general price levels, may increase. Furthermore, if interest rates in India remain high, or if the RBI continues to increase interest rates, the Issuer may face increased costs of funding. To the extent the Issuer cannot pass these increases on to its borrowers, its results of operations could be adversely affected.

Volatility in interest rates affects the Issuer's lending operations and may result in a decline in the Issuer's net interest income and net interest margin and adversely affect the Issuer's return on assets and profitability.

The Issuer's business is primarily dependent on interest income from its lending operations, which contributed approximately 97.4 per cent. and 98.0 per cent. of the Issuer's total income in fiscal 2013 and fiscal 2014, respectively. In addition, as of 31 March 2014, 78.0 per cent. of the Issuer's borrowings were at fixed rates while the remaining were at floating rates (i.e., linked to the base rate and other market benchmarks), compared to a large part of the Issuer's loans which carry fixed interest rates with a three year reset clause. The primary interest rate-related risks the Issuer faces are from timing differences in the pricing of the Issuer's assets and liabilities, for example, if in an increasing interest rate environment, the Issuer's liabilities are priced prior to its assets being priced, the Issuer may incur additional liabilities at a higher interest rate and incur a repricing risk, or in the event that there is an adverse mismatch between the repricing terms of the Issuer's loan assets and its loan liabilities.

Interest rates are highly sensitive to many factors beyond the Issuer's control, including the monetary policies of the RBI, deregulation of the financial sector in India, domestic and international economic and political conditions and other factors. When interest rates decline, the Issuer is subject to greater re-pricing and pre-payment risks as borrowers may take advantage of the attractive interest rate environment. If the Issuer re-prices loans, the Issuer's results may be adversely affected in the period in which the re-pricing occurs. If borrowers prepay loans, the return on the Issuer's capital may be impaired as any prepayment premium the Issuer receives may not fully compensate the Issuer for the redeployment of such funds elsewhere. In addition, while the Issuer sets the interest rate under its loans and also typically has the option to reset the rate to the Issuer's prevailing lending rates in accordance with the terms of the relevant loans, typically every three years or ten years, this flexibility is also subject to the borrower's ability to prepay the loan and refinance with another lender. When interest rates rise, it results in an increase of interest rates for the Issuer's borrowings and given that a majority of the Issuer's loans are subject to three year re-set clauses, the Issuer may not be able to re-price the loans or increase the interest rates with respect to such loans during such period, which could have a material adverse effect on the Issuer's results of operations and financial condition. In addition, as a non-deposit taking NBFC, the Issuer may be more susceptible to such increases in interest rates than some of the Issuer's competitors such as commercial banks or deposit taking NBFCs that have access to lower cost funds.

The Issuer's results of operations are therefore dependent on various factors that are indirectly affected by the prevailing interest rate and lending environment, including disbursement and repayment schedules for the Issuer's loans, the terms of such loans including interest rate reset terms as well as the currency of such loans and any exchange gains or losses relating thereto. In addition, the value of any interest rate hedging instruments the Issuer may enter into in the future may be affected by changes in interest rates. There can be no assurance that the Issuer will be able to adequately manage its interest rate risk and be able to effectively balance the proportion and maturity of its interest earning assets and interest bearing liabilities in the future.

The funding requirements of the Issuer and the deployment of a portion of the net proceeds of the issue of any Notes are based on management estimates and have not been independently appraised by any bank or financial institution and may be revised from time to time.

The funding requirements of the Issuer and the deployment of the net proceeds of any issue of Notes are based on management estimates and have not been appraised by any bank, financial institution or other independent institution. The Issuer's management will have discretion in the application of the net proceeds of any issue of any Notes and investors will not have the opportunity, as part of their investment decision, to assess whether the Issuer is using the proceeds in a manner that they believe enhances the Issuer's market value. In view of the highly competitive nature of the industry in which the Issuer operates, the Issuer may have to revise its management estimates from time to time and, consequently, its funding requirements may also change. See "*Use of Proceeds*".

The Issuer currently funds its business in significant part through use of borrowings that have shorter maturities than the maturities of substantially all of the Issuer's new loan assets and the Issuer may be required to obtain additional financing in order to repay its indebtedness and grow its business.

The Issuer may face potential liquidity risks due to mismatches in its funding requirements and the financing the Issuer provides to its borrowers. In particular, a significant part of the Issuer's business is funded through borrowings that have shorter maturities than the maturities of substantially all of the Issuer's new loan assets. The Issuer's long-term loans represented 95.3 per cent., 98.5 per cent. and 98.7 per cent. of its total loan assets as of 31 March 2012, 2013 and 2014, respectively. As of 31 March 2014, the Issuer had bonds outstanding of ₹1,275,935.5 million and long-term borrowings of ₹303,070.2 million, which constituted 80.1 per cent. and 19.0 per cent., respectively, of the Issuer's unsecured loan liabilities as of such date. The Issuer's other financial products may also have maturities that exceed the maturities of its borrowings. For additional information with respect to the Issuer's sources of funds, see "*Description of the Issuer — Resource Mobilisation*".

To the extent the Issuer funds its business through the use of borrowings that have shorter maturities than the loan assets the Issuer disburses, the Issuer's loan assets will not generate sufficient liquidity to enable the Issuer to repay its borrowings as they become due, and the Issuer will be required to obtain new borrowings to repay its existing indebtedness. Furthermore, in accordance with GoI directives, the Issuer is required to declare a minimum dividend on equity of 20.0 per cent. or a minimum dividend payout of 30.0 per cent. of its profit after tax each fiscal year, whichever is higher. However, this is subject to availability of disposable profits and the Issuer may declare a lower dividend with the consent of the GoI. As a result, the Issuer's retained earnings remain low and the Issuer may be unable to repay its loans from its retained earnings as and when they mature. There can be no assurance that new borrowings will be available on favourable terms, or at all. In particular, the Issuer is increasingly reliant on funding from the debt capital markets and commercial borrowings. The market for such funds is competitive and the Issuer's ability to obtain funds on acceptable terms will depend on various factors including, in particular, the Issuer's ability to maintain its credit ratings. Furthermore, the Issuer's inability to effectively manage its funding requirements and the financing the Issuer provides may also be aggravated if the Issuer's borrowers pre-pay or are unable to repay any of the financing facilities the Issuer grants to them. The Issuer's asset-liability management framework categorises all interest rate sensitive assets and liabilities into various time period categories according to contracted residual maturities or anticipated re-pricing dates, as may be relevant in each case. The difference between the value of assets and liabilities maturing, or being re-priced, in any time period category provides the measure to which the Issuer is exposed to the risk of potential changes in the margins on new or re-priced assets and liabilities. Despite the existence of such measures, the Issuer's liquidity position could be adversely affected by the development of an asset-liability mismatch, which could have a material adverse effect on the Issuer's business, prospects, results of operations and financial condition.

An inability to effectively manage the Issuer's growth or successfully implement its business plan and growth strategy could adversely affect the Issuer's business, financial condition and results of operations.

The Issuer's total loan assets increased from ₹1,603,666.0 million as of fiscal 2013 to ₹1,892,312.4 million as of fiscal 2014. Furthermore, the Issuer's total income increased from ₹172,725.5 million in fiscal 2013 to ₹215,374.6 million in fiscal 2014. The Issuer intends to continue to grow its business, which could place significant demands on its operational, credit, financial and other internal risk controls, making management of asset quality increasingly important. This may also exert pressure on the adequacy of the Issuer's capitalisation. The Issuer intends to fund its asset growth primarily through the issuance of Rupee-denominated bonds and commercial borrowings raised in India. There can be no assurance that the Issuer will be able to raise funding on attractive terms, or at all. Any adverse development in the Indian credit markets or any increase in interest rates may significantly increase the Issuer's debt service costs and its overall cost of funds. The Issuer's growth also increases the challenges involved in maintaining and improving its internal administrative, technological and physical infrastructure, and entails substantial senior level management time and resources. In addition, because of the long gestation period for power sector projects, the Issuer's historical financial statements may not be an accurate indicator of its future financial condition or results of operations.

As part of its growth strategy, the Issuer has expanded its focus areas to include renewable energy projects and projects that represent forward and backward linkages to core power sector projects, including capital equipment for the power sector, fuel sources for power generation projects and related infrastructure development, as well as power trading initiatives. In addition, the Issuer intends to expand its business and service offerings in consultancy and other fee-based services, debt syndication and equity investments. The Issuer also intends to continue to develop strategic partnerships and alliances and evaluate new business opportunities related to the power sector in India. Pursuing any strategic business opportunities may require capital resources and additional regulatory approvals. The Issuer has limited knowledge and experience with respect to financing and other opportunities in these business expansion areas, and competition, applicable regulatory regimes and business practices applicable to these areas and opportunities may differ significantly from those faced by the Issuer in its current operations. In addition, if the Issuer decides to expand inorganically in these strategic areas, it may not be able to achieve expected synergies from, or achieve the strategic purpose of, any such acquisition, or achieve operational integration or the expected return on the its investment. There can be no assurance that the Issuer will be able to implement, manage or execute its growth strategy efficiently or in a timely manner, or at all, which could adversely affect its business, prospects, financial condition and results of operations.

The Issuer's Board has approved a plan to set up a private equity fund to invest in power projects and forward and backward linkages to the core power sector projects. The Issuer has limited experience in private equity and competition, applicable regulatory regimes and business practices applicable to this area may differ significantly from those faced by the Issuer in its current operations. This venture may not be successful, which could adversely affect the Issuer's business, prospects, financial condition and results of operations.

Some of the Issuer's SEB borrowers have been restructured and the Issuer has not yet entered into definitive loan agreements with such restructured entities, which could affect its ability to enforce applicable loan terms and related state government guarantees.

The Issuer has granted long-term loans to various SEBs that were guaranteed by the respective state governments. Pursuant to certain amendments to the Electricity Act, the respective state governments have restructured these SEBs into separate entities formed for power generation, transmission and/or distribution activities. As part of such restructuring process, all liabilities and obligations of the restructured SEBs relating to the Issuer's loans were transferred, pursuant to a notification process, to the respective state government, which in turn transferred such liabilities and obligations to the newly formed state government-owned transmission, distribution and/or generation companies. However, the relevant notification transferring such liabilities and obligations under the Issuer's loans necessitates the execution of a transfer agreement between the Issuer, the respective state government and the relevant newly formed transferee entity. The Issuer has not yet executed such transfer agreements with respect to some of these loans. In such circumstances, as the state government guarantees have not been reaffirmed to cover the debt obligations of such newly formed transferee entities, the Issuer may not be able to enforce the relevant state guarantees in case of default on the Issuer's loans by such transferee entities. Although the Issuer intends to enter into such transfer agreements to ensure that the terms of the Issuer's original loan agreements entered into with the SEBs continue to apply to such transferee entities, there can be no assurance that the Issuer will be able to execute such transfer agreements in a timely manner, or at all. In addition, the relevant state government may not reaffirm such guarantees with respect to the debt obligations assumed by such restructured transferee entities. There may also be delay, due to factors beyond the Issuer's control with respect to the establishment of relevant trust and retention account arrangements with such restructured transferee entities. In addition, the Issuer has restructured loans sanctioned to certain SPUs and other SEBs, including rescheduling of repayment terms. Any negative trends or financial difficulties faced by such SPUs and SEBs could increase the Issuer's NPAs and adversely affect the Issuer's business, financial condition and results of operations.

The Issuer has granted loans to private sector borrowers on a non-recourse or limited recourse basis, which increases the risk of non-recovery and may adversely affect the Issuer's financial condition.

The Issuer commenced lending to private sector borrowers in fiscal 1997. As of 31 March 2014, ₹287,110.0 million, or 15.0 per cent. of the Issuer's total loans outstanding as of such date, were to private sector borrowers. Under the terms of the Issuer's loans to private sector borrowers, the term loan financings are secured through, among other things, a first priority *pari passu* charge on the relevant project assets, collateral such as pledges of shares held by promoters and/or personal or corporate guarantees and trust and retention arrangements. The Issuer expects to increase its exposure to private sector borrowers in the future. The ability of such borrowers to perform their obligations under the Issuer's loans will depend primarily on the financial condition and results of the relevant projects, which may be affected by many factors beyond the borrowers' control, including competition, operating costs, regulatory issues and other risks. If borrowers with non-recourse or limited recourse loans were to be adversely affected by these or other factors and were unable to meet their obligations, the value of the underlying assets available to repay the loans may become insufficient to pay the full principal and interest on the loans, which could expose the Issuer to significant losses.

The escrow account mechanism and the trust and retention account arrangements implemented by the Issuer as a quasi-security mechanism in connection with the payment obligations of the Issuer's borrowers may not be effective, which could adversely affect the Issuer's financial condition and results of operations.

The Issuer uses escrow accounts as a credit enhancement mechanism for certain of its public sector borrowers that do not meet certain of the Issuer's credit risk criteria. As of 31 March 2014, 88.31 per cent. of the Issuer's outstanding loans to state and central sector borrowers involved such escrow account mechanism. Similarly, in the case of private sector borrowers, security is typically obtained through a first priority *pari passu* charge on the relevant project assets, and through a trust and retention mechanism. For further information, see "*Description of the Issuer — Security Risk*" for a description of the trust and retention account arrangement and the escrow account mechanism.

The escrow account mechanism and the trust and retention account arrangements are effective in the event that revenue from the end users or other receipts, as applicable, is received by the Issuer's borrowers and deposited in the relevant escrow account or trust and retention account. The Issuer does not have any arrangement in place to ensure that such revenue is actually received or deposited in such accounts and the effectiveness of the escrow account mechanism and the trust and retention account arrangements is limited to such extent. In the event that end users do not make payments to the Issuer's borrowers, the escrow account mechanism and the trust and retention account arrangements will not be effective in ensuring the timely repayment of the Issuer's loans, which may adversely affect the Issuer's financial condition and results of operations. In addition, as the Issuer diversifies its loan portfolio and enters into new business opportunities, the Issuer may not be able to implement such or similar quasi-security mechanisms or arrangements and there can be no assurance that even if such mechanisms and arrangements are implemented, they will be effective.

Insurance of relevant project assets obtained by the Issuer's borrowers may not be adequate to protect them against all potential losses, which could indirectly affect the Issuer's ability to recover its loans to such borrowers.

Under the Issuer's loan agreements, where loans are extended on the basis of a charge on assets, the Issuer's borrowers are required to create a charge on their assets in the Issuer's favour in the form of hypothecation or mortgage, or both. In addition, terms and conditions of the loan agreements require the Issuer's borrowers to maintain insurance against damage caused by any disasters including floods, fires and earthquakes or theft on the assets charged, primarily as collateral against the loan granted by the Issuer. However, the Issuer's borrowers may not have obtained the required insurance coverage, or may not renew the insurance policies, or the amount of insurance coverage may be less than the replacement cost of the relevant assets and therefore insufficient to cover all financial losses that the Issuer's borrowers may suffer. In the event the assets charged in the Issuer's favour are damaged, it may affect the Issuer's ability to recover the loan amounts due to the Issuer.

The Issuer's insurance may not be adequate to protect against all potential losses to which the Issuer may be subject.

The Issuer maintains insurance for its physical assets such as its office and residential properties against standard fire and special perils (including earthquake), amounting to ₹1,124.2 million. In addition, the Issuer maintains group personal accident insurance as well as directors' and officers' insurance policies. However, the amount of the Issuer's insurance coverage may be less than the replacement cost of such property and may not be sufficient to cover all financial losses that the Issuer may suffer should a risk materialise. If the Issuer were to incur a significant liability for which it was not fully insured, it could have a material adverse effect on the Issuer's results of operations and financial position. Should an uninsured loss or a loss in excess of insured limits occur, the Issuer would lose its invested capital and the anticipated revenue from the affected property. The Issuer would also remain liable for any debt or financial obligations related to that property.

In addition, in the future, the Issuer may not be able to maintain insurance of the types or in the amounts which the Issuer deems necessary or adequate or at premiums which the Issuer considers acceptable. The occurrence of an event for which the Issuer is not adequately or sufficiently insured or the successful assertion of one or more large claims against the Issuer that exceeds available insurance coverage, or changes in the Issuer's insurance policies (including premium increases or the imposition of large deductible or co-insurance requirements), could have a material and adverse effect on the Issuer's business, financial condition, results of operations, and cash flows.

The Issuer might not be able to recover costs incurred on the UMPPs and ITPs and the Issuer's failure to do so may adversely affect its financial condition and results of operations.

The Issuer has been appointed as the nodal agency for the development of UMPPs, each with a contracted capacity of 4,000 MW or more. As of 31 March 2014, the Issuer had 13 wholly-owned SPVs for these projects. These SPVs have been established to conduct the bidding process in accordance with the Guidelines for Determination of Tariff by Bidding Process for Procurement of Power by Distribution Licensees, 2005, as amended. The SPVs undertake preliminary studies and obtain necessary linkages, clearances, land and approvals including for water, land and power sale arrangements, prior to transfer of the projects to successful bidders. The objective is to transfer these SPVs to successful bidders, through a tariff based international competitive bidding process, who will then implement these projects, on payment of development costs incurred by each SPV. The Issuer has incurred, and is likely to continue to incur, expenses in connection with these SPVs. There may be delays in the development of such UMPPs or the Issuer may be unable to transfer these UMPPs due to various factors, including environmental issues, resistance by local residents, changes in related laws or regulatory frameworks, or the Issuer's inability to find a developer for such projects. In addition, the Issuer may not be able to fully recover its expenses from the successful bidder, which may result in financial loss to the Issuer and adversely affect the Issuer's financial condition and results of operations.

The power sector financing industry is becoming increasingly competitive and the Issuer's growth will depend on its ability to compete effectively and maintain a low effective cost of funds.

The Issuer faces increasing competition from public and private sector commercial banks and from other financial institutions that provide funding to the power sector. For details of the Issuer's competitors, see "*The Power Industry in India*". Many of the Issuer's competitors may have access to greater and cheaper sources of funding than the Issuer. Competition in the Issuer's industry depends on, among other factors, the ongoing evolution of GoI policies relating to the industry, the entry of new participants into the industry and the extent to which there is consolidation among banks, financial institutions and NBFCs in India. The Issuer's primary competitors are public sector infrastructure finance companies, public sector banks, private banks (including foreign banks), financial institutions and other NBFCs. Many of the Issuer's competitors may have larger resources or balance sheet sizes than the Issuer and may have considerable financing resources. In addition, since the Issuer is a non-deposit taking NBFC, the Issuer may have restricted access to funds in comparison to banks and deposit taking NBFCs. The Issuer's ability to compete effectively is dependent on its ability to maintain a low effective cost of funds. With the growth of its business, the Issuer is dependent on funding from the equity and debt markets and commercial borrowings. The market for such funds is competitive and the Issuer's ability to obtain funds on acceptable terms, or at all, will depend on various factors including the Issuer's ability to maintain its credit ratings. If the Issuer is unable to access funds at an effective cost that is comparable to or lower than that of its competitors, the Issuer may not be able to offer competitive interest rates for its loans to power projects. This is a significant challenge for the Issuer, as there are limits to the extent to which higher costs of funds can be passed on to borrowers, thus potentially affecting the Issuer's net interest income.

The Issuer may make equity investments in power sector projects in the future and such investments may not be recovered.

As part of its growth strategy, and subject to receipt of relevant approvals, the Issuer may evaluate potential equity investment opportunities in power sector projects. In addition, the Issuer may consider equity syndication opportunities for power sector projects, which the Issuer expects will also increase its fee-based income. The value of such investments will depend on the success and continued viability of these projects. In addition to project-specific risks, the Issuer will have limited control over the operations or management of these businesses. Therefore, the Issuer's ability to realise expected gains on its equity interest in a business is highly dependent on factors outside the Issuer's control. Write-offs or write-downs in respect of the Issuer's equity investments may adversely affect the Issuer's financial condition. The Issuer may also be unable to realise any value if the company in which the Issuer invests does not have a liquidity event, such as a sale of the business, recapitalisation or public offering, which would allow the Issuer to sell the underlying equity interest. In addition, the ability of these investee companies to make dividend payments is subject to applicable laws and regulations in India relating to payment of dividends. Furthermore, equity investments in power sector projects may be less liquid and involve a longer holding period than traditional private equity investments. Such investments may not have any readily ascertainable market value and the value of investments reflected in the Issuer's financial statements may be higher than the values obtained by the Issuer upon the sale of such investments. See also "*Investment Considerations — The Issuer may not be able to identify attractive financing or investment opportunities or provide financing to or make investments in such identified opportunities, which may adversely affect the Issuer's financial condition and results of operations*.".

The Issuer is subject to restrictive covenants under its credit facilities that could limit the Issuer's flexibility in managing its business.

There are restrictive covenants in the agreements the Issuer has entered into with certain banks and financial institutions for the Issuer's short term borrowings, long term borrowings and bonds trust deeds. These restrictive covenants require the Issuer to maintain certain financial ratios and seek the prior permission of these banks/financial institutions for various activities, including, selling, leasing, transferring or otherwise disposing of any part of the Issuer's business or revenues, effecting any scheme of amalgamation or reconstitution, implementing a new scheme of expansion, taking up a new or allied line of business, forming a new subsidiary and in certain cases, consent for on-lending of the funds. Such restrictive covenants in the Issuer's loan and bond documents may restrict the Issuer's operations or ability to expand and may adversely affect the Issuer's business. Furthermore, a default on some of the Issuer's loans may also trigger cross-defaults under some of the Issuer's other loans. In addition, if the Issuer fails to meet its debt service obligations or if a default otherwise occurs, its lenders could declare the Issuer in default under the terms of its borrowings and accelerate the maturity of its obligations, or in some cases, could exercise step-in rights, or could enforce the security underlining their secured lending, such as security created on the secured long-term Rupee-denominated infrastructure bonds. Any acceleration of the maturity of the Issuer's obligations could have a material adverse effect on the Issuer's cash flows, business and results of operations.

Furthermore, the Issuer's lenders may recall certain short-term demand loans availed of by the Issuer at any time. There can be no assurance that the Issuer will be able to comply with these financial or other covenants or that the Issuer will be able to obtain the consents necessary to take the actions the Issuer believes are required to operate and grow its business in the future.

The Issuer's agreements regarding certain of its joint venture arrangements or investments in other companies contain restrictive covenants, which limit the Issuer's ability on transfer its shareholding in such ventures.

The Issuer has entered into various joint venture arrangements, pursuant to which certain joint venture companies have been incorporated, namely, National Power Exchange Limited, Energy Efficiency Services Limited and PTC India Limited (formerly known as Power Trading Corporation of India Limited). The Issuer has also entered into a share subscription and shareholders agreement with the NSE and National Commodity & Derivates Exchange Limited subscribing to the equity shares of Power Exchange India Limited. Furthermore, the Issuer has investments in the Small is Beautiful Fund, a venture capital fund established with the objective to invest in equity and equity-like instruments of special purpose vehicles involved in the development of power projects.

As the Issuer holds minority interests in each of these joint venture companies, the Issuer's joint venture partners will have control over such joint venture companies (except to the extent agreed under the respective joint venture agreements). In addition, the Issuer has not made provisions for the decline in value of such investments. Under the terms of the relevant agreements the Issuer is not permitted to transfer its shareholding in the joint ventures to a third party for a specified lock-in period and/or with consent of the board of directors or the other parties to such agreement/ arrangement. Such covenants may limit the Issuer's ability to make optimum use of its investments or exit these joint ventures and thereby liquidating the Issuer's investments at its discretion, which may have an adverse impact on the Issuer's financial condition. In addition, the Issuer may not be able perform or comply with its obligations under the joint venture agreements and its failure to do so may result in a breach of such agreements, which could affect the Issuer's rights under these agreements.

Furthermore, the success of these joint ventures is dependent upon the cooperation of the Issuer's joint venture partners. These joint ventures are subject to the risk of non-performance by the Issuer's joint venture partners of their obligations, including their financial obligations, in respect of the joint venture. Joint venture partners may have business interests or goals that may differ from the Issuer's business interests or goals, or those of the Issuer's shareholders. Any disputes that may arise between the Issuer and its joint venture partners may cause delays in completion or the suspension or abandonment of the venture. In addition, although its joint ventures confer rights on the Issuer, its joint venture partners have certain decision-making rights that may limit the Issuer's flexibility to make decisions relating to such business, and may cause delays or losses.

The Issuer's success depends in large part upon its management team and skilled personnel and its ability to attract and retain such persons.

Many of the Issuer's employees, particularly senior management, have worked with the Issuer for significantly long periods. The Issuer's future performance depends on the continued service of its management team and skilled personnel. The Issuer may face a challenge to recruit and retain a sufficient number of suitably skilled personnel, particularly as the Issuer continues to grow. There is significant competition for management and other skilled personnel in the Issuer's industry. Furthermore, the Issuer's ability to meet future business challenges depends on its ability to attract and recruit talented and skilled personnel. The loss of any of the members of the Issuer's Board, senior management, or other key personnel or an inability to manage the attrition levels in the different employee categories may materially and adversely impact the Issuer's business, financial condition and results of operations.

The GoI has a majority control in the Issuer, which enables the GoI to influence the outcome of matters submitted to shareholders for approval.

As of 31 March 2014, the GoI controls, directly or indirectly, 72.80 per cent. of the Issuer's outstanding equity shares. As a result, the GoI, acting through the MoP, will continue to exercise significant control over the Issuer, including in matters relating to any sale of all or substantially all of its assets and the timing and distribution of dividends. The GoI also controls the composition of its Board and determines matters requiring shareholder approval or approval of its Board. The GoI may take or block actions with respect to the Issuer's business, which may conflict with the Issuer's interests or the interests of the Issuer's minority shareholders. By exercising its control, the GoI could delay, defer or cause a change of the Issuer's control or a change in the Issuer's capital structure, or a merger, consolidation, takeover or other business combination involving the Issuer, or discourage or encourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of the Issuer. In addition, as long as the GoI continues to exercise control over the Issuer, it may influence the material policies of the Issuer in a manner that could conflict with the interest of the Issuer's other shareholders and may take positions with which the Issuer or the Issuer's other shareholders may not agree. In addition, the GoI significantly influences the Issuer's operations both directly and indirectly through its various departments and policies in relation to the power industry generally. In particular, given the importance of the power industry to the economy, the GoI could require the Issuer to take action designed to serve the public interest in India and not necessarily to maximise the Issuer's profits.

The Government may sell all or part of its shareholding in the Issuer that may result in a change in control of the Issuer.

Whilst the Government's shareholding in the Issuer equals or exceeds 51.00 per cent., it will continue to be classified as a Government company and will be subject to various regulations, regulatory exemptions and benefits generally applicable to public sector companies in India. As of the date of this Offering Circular, there is no legislation that places a mandatory requirement on the Government to hold a minimum 51.00 per cent. shareholding in the Issuer. Therefore the Government may sell all or part of its shares in the Issuer, which may result in a change in control of the Issuer and which may, in turn, disqualify the Issuer from benefiting from certain regulatory exemptions and other benefits that may be applicable to the Issuer due to it being a public sector company. If a change of control were to occur, the Issuer cannot assure investors that it will have sufficient funds available at such time to pay the purchase price of the outstanding Notes, as the source of funds for any such purchase will be its available cash or third party financing which it may not be able to obtain at the time.

The Issuer is subject to credit, market and liquidity risks and, if any such risk were to materialise, the Issuer's credit ratings and its cost of funds may be adversely affected.

The Issuer may not be able to effectively mitigate its risk exposures in particular market environments or against particular types of risks. The Issuer's revenues and interest rate risk are dependent upon its ability to properly identify, and mark-to-market, changes in the value of financial instruments caused by changes in market prices or rates. The Issuer's earnings are dependent upon its effectiveness in managing credit quality and risk concentrations, the accuracy of its valuation models and its critical accounting estimates and the adequacy of its allowances for loan losses. To the extent its assessments, assumptions or estimates prove inaccurate or are not predictive of actual results, the Issuer could incur higher than anticipated losses. The successful management of credit, market and operational risk is an important consideration in managing the Issuer's liquidity risk because it affects the evaluation of the Issuer's credit ratings by rating agencies. The Issuer currently holds credit ratings for its long term domestic borrowings and its short term borrowings from CRISIL, ICRA and CARE respectively. International credit rating agencies Moody's, Fitch and Standard & Poor's have also provided long-term foreign currency issuer ratings for the Issuer. However, rating agencies may reduce or indicate their intention to reduce the ratings at any time and there can be no assurance that the Issuer may not experience such downgrade in the future. The rating agencies can also decide to withdraw their ratings altogether, which may have the same effect as a reduction in the Issuer's ratings. Any reduction (or withdrawal) in the Issuer's ratings may make the Issuer ineligible to remain classified as an IFC, increase the Issuer's borrowing costs, limit the Issuer's access to capital markets and adversely affect the Issuer's ability to sell or market its products, engage in business transactions, particularly longer-term and derivatives transactions, or retain its customers. This, in turn, could reduce the Issuer's liquidity and negatively impact the Issuer's financial condition and results of operations.

The Issuer may fail to obtain regulatory approvals to operate or expand its business in a timely manner or at all, or to comply with the terms and conditions of its existing regulatory approvals and licenses, which may have a material adverse effect on the continuity of the Issuer's business and may impede its operations in the future.

The Issuer requires certain regulatory approvals, sanctions, licenses, registrations and permissions for operating and expanding its business. The Issuer may not receive or be able to renew such approvals in the time frames anticipated by the Issuer, or at all, which could adversely affect the Issuer's business. If the Issuer does not receive, renew or maintain the regulatory approvals required to operate its business, it may have a material adverse effect on the continuity of its business and may impede its effective operations in the future.

NBFCs in India are subject to strict regulations and supervision by the RBI. These laws and regulations impose numerous requirements on the Issuer, including those relating to asset classification and prescribed levels of capital adequacy, cash reserves and liquid assets. For applicability of prudential norms, see "*Description of the Issuer*" for more information. In addition to the numerous conditions required for the registration as an NBFC with the RBI, the Issuer is required to maintain certain statutory and regulatory permits and approvals for its business. In the future, the Issuer will be required to renew such permits and approvals and obtain new permits and approvals for any proposed operations. There can be no assurance that the relevant authorities will issue any of such permits or approvals in the time-frame anticipated by the Issuer or at all. Failure by the Issuer to renew, maintain or obtain the required permits or approvals may result in the interruption of the Issuer's operations and may have a material adverse effect on its business, financial condition and results of operations.

Furthermore, the RBI has not provided for any ceiling on interest rates that can be charged by non-deposit taking NBFCs even though they have stated in circulars that NBFCs should lay out appropriate internal principles and procedures in determining interest rates and other charges. The Issuer fixes the interest rate based on average cost of funds, RBI's monetary policies, competitors' interest rate, certain percentage of margin and other markets conditions, which are subject to change from time to time. There may be future changes in the regulatory system or in the enforcement of laws and regulations or legal interpretations of existing regulations relating to or affecting interest rates, taxation, inflation or exchange controls, that could have an adverse effect on non-deposit taking NBFCs. In addition, the Issuer is required to make various filings with the RBI, the Registrar of Companies (**RoC**) and other relevant authorities pursuant to the provisions of the RBI regulations, the Companies Act and other regulations. If the Issuer fails to comply with these requirements, or if a regulator claims the Issuer has not complied with such requirements, the Issuer may be subject to penalties. Moreover, these laws and regulations can be amended, supplemented or changed at any time such that the Issuer may be required to restructure its activities and incur additional expenses in complying with such laws and regulations, which could adversely affect the Issuer's business. In addition, any historical or future failure to comply with the terms and conditions of the Issuer's existing regulatory or statutory approvals may cause the Issuer to lose or become unable to renew such approvals. For further details, see "*Regulations and Policies in India*".

The Issuer benefits from certain tax benefits available to it as a lending institution. If these tax benefits are no longer available to the Issuer, it would adversely affect the Issuer's business, financial condition and results of operations.

The Issuer has received and currently receives tax benefits by virtue of its status as a lending institution, including as a result of its lending within the infrastructure sector, which have enabled the Issuer to reduce its effective tax rate. In fiscal 2012, 2013 and 2014, the Issuer's effective tax rate, calculated on the basis of its tax liability as a percentage of taxable profit, was 25.2 per cent., 25.0 per cent. and 26.3 per cent., respectively, compared to statutory corporate tax rates (including surcharge and cess) of 32.4 per cent., in all such periods. The availability of such tax benefits is subject to the policies of the GoI, among other things, and there can be no assurance as to any tax benefits that the Issuer will receive in the future. If the laws or regulations regarding these tax benefits are amended, the Issuer's taxable income and tax liability may increase, which would adversely impact the Issuer's financial condition and results of operations.

The Issuer may incur shortfalls in the advance subsidy received under the Accelerated Generation and Supply Programme of the GoI, which may affect the Issuer's financial condition.

In fiscal 1998, the GoI started the AG&SP, a scheme for providing interest subsidies for various projects. While the scheme ended in April 2007, the Issuer currently receives interest income from the interest subsidy fund established in connection with the loans granted under this scheme. The scheme subsidised the Issuer's lending rates on loans to public sector power utilities. The subsidy was paid in advance directly to the Issuer from the central Government budget and was to be passed on to the borrowers against their interest liability arising in future under the AG&SP.

The Issuer maintains an interest subsidy fund account for the subsidy claimed from the GoI at net present value which is calculated at certain pre-determined and indicative discount rates, irrespective of the actual repayment schedule, moratorium period and duration of repayment. The impact of the difference between the indicative discount rate and period considered at the time of claims and the time of the actual disbursement can be ascertained only after the end of the respective repayment period in relation to that particular loan. There may be instances where there is a shortfall or a surplus in the subsidy received from the GoI. In the event of a surplus in subsidy, the excess is refunded. In the event of there being a shortfall, the Issuer is required to bear the difference, which may adversely affect the Issuer's financial condition and results of operations.

The security of the Issuer's IT systems may fail and adversely affect the Issuer's business, operations, financial condition and reputation.

The Issuer is dependent on the effectiveness of its information security policies, procedures and capabilities to protect its computer and telecommunications systems and the data such systems contain or transmit. An external information security breach, such as a hacker attack, fraud, a virus or worm, or an internal problem with information protection, such as a failure to control access to sensitive systems, could materially interrupt the Issuer's business operations or cause disclosure or modification of sensitive or confidential information. The Issuer's operations also rely on the secure processing, storage and transmission of confidential and other information in its computer systems and networks. The Issuer's computer systems, software and networks may be vulnerable to unauthorised access, computer viruses or other malicious code and other events that could compromise data integrity and security. Although the Issuer maintains procedures and policies to protect its IT systems, such as a data back-up system, disaster recovery and a business continuity system, any failure of the Issuer's IT systems as mentioned above could result in business interruption, material financial loss, regulatory actions, legal liability and harm to the Issuer's reputation. Furthermore, any delay in implementation or disruption of the functioning of the Issuer's IT systems could disrupt its ability to track, record, process financial information or manage creditors/debtors or engage in normal business activities.

The Issuer may in the future conduct additional business through joint ventures and strategic partnerships, exposing the Issuer to certain regulatory and operating risks.

The Issuer intends to continue to pursue suitable joint venture and strategic partnership opportunities in India and internationally, in particular with companies/firms whose resources, capabilities and strategies are likely to enhance and diversify the Issuer's business operations in the power sector. The Issuer may not be able to identify suitable joint venture or strategic partners or the Issuer may not complete transactions on terms commercially acceptable to the Issuer, or at all. The Issuer may not be able to successfully form such alliances and ventures or realise the anticipated benefits of such alliance and joint ventures. Furthermore, such partnerships may be subject to regulatory approvals, which may not be received in a timely manner, or at all. In addition, the Issuer's expected strategic benefits or synergies of any future partnerships may not be realised. Furthermore, such investments in strategic partnerships may be long-term in nature and may not yield returns in the short to medium term. Such initiatives will place significant strains on the Issuer's management, financial and other resources and any unforeseen costs or losses could adversely affect the Issuer's business, profitability and financial condition.

A decline in the Issuer's capital adequacy ratio could restrict the Issuer's future business growth.

The Issuer is required under applicable laws and regulations to maintain a capital adequacy ratio of at least 15.0 per cent. of its risk-weighted assets, with the minimum requirement of Tier I capital being 10.0 per cent. The Issuer's capital adequacy ratio was 20.10 per cent. as of 31 March 2014, with Tier I capital comprising 16.42 per cent. as of the same date. If the Issuer continues to grow its loan portfolio and asset base, the Issuer will be required to raise additional Tier I and Tier II capital in order to continue to meet applicable capital adequacy ratios. There can be no assurance that the Issuer will be able to raise adequate additional capital in the future on terms favourable to the Issuer or that the Issuer will be able to retain its IFC classification, and this may adversely affect the growth of the Issuer's business.

The Issuer has entered and may enter into certain transactions with related parties, which may not be on an arm's length basis or may lead to conflicts of interest.

The Issuer has entered and may enter into transactions with related parties, including its Directors. There can be no assurance that the Issuer could not have achieved more favourable terms on such transactions had they not been entered into with related parties. Furthermore, it is likely that the Issuer will enter into related party transactions in the future. There can be no assurance that such transactions, individually or in the aggregate, will not have an adverse effect on the Issuer's financial condition and results of operations. The transactions the Issuer has entered into and any future transactions with related parties have involved or could potentially involve conflicts of interest.

The Issuer's subsidiaries PFCCL and PFCCAS are engaged in the consultancy services and debt syndication services business respectively, and the Issuer's constitutional documents permit the Issuer to engage in similar business however there is no relationship agreement or similar arrangement currently in place between the Issuer and PFCCL or PFCCAS and the Issuer and it is possible this may result in potential conflicts of interest.

The Issuer's Directors may have business interests similar to those of the Issuer, which may result in a conflict of interest that may adversely affect future financing opportunity referrals.

Some of the Issuer's Directors have interests in other companies, which are in businesses similar to that of the Issuer and which may result in a potential conflict of interest. For example, Mr. Mukesh Kumar Goel, the Issuer's Chairman and Managing Director with additional charge as Director (Commercial) is also a director on the board of PTC India Financial Services Limited, a company that has business interests similar to those of the Issuer.

For further information with respect to directorships of certain of the Issuer's Directors, see "*Management*". Accordingly, potential conflicts of interest may arise out of common business objectives shared by the Issuer and its Directors and there can be no assurance that these or other conflicts of interest will be resolved in an impartial manner.

The Issuer did not comply with certain provisions of the Equity Listing Agreement relating to composition of Board during certain quarters of fiscal 2014.

The Issuer has not complied with certain provisions of Clause 49 of the Equity Listing Agreement relating to composition of its Board for fiscal 2014. Presently, the Issuer's Board has seven Directors, of which three are Independent Directors. As of the date of this Offering Circular, no penalties or suspension of trading has been imposed by the stock exchanges but there can be no assurance that penalties will not be levied by the stock exchanges in future.

The Issuer has negative cash flows from operations in recent periods. There is no assurance that such negative cash flows from operations shall not recur in the future.

The cash outflows relating to loans and advances that the Issuer disburses (net of any repayments the Issuer receives) are reflected in the Issuer's cash flow from operating activities whereas the cash inflows from external funding that the Issuer procures (net of any repayments of such funding) to disburse these loans and advances are reflected in the Issuer's cash flows from financing activities. The net cash flows from investing activities primarily represent sale and purchase of fixed assets, other investments and interest received. The following table sets forth certain information with respect to the Issuer's historical negative cash flows for the periods indicated:

	As of 31 March		
Particulars	**2012**	**2013**	**2014**
		(standalone)	
		(₹ million)	
Net cash from operating activities	(269,969.1)	(250,890.9)	(221,704.1)
Net cash from investing activities	(415.7)	(931.7)	(1,896.9)
Net cash from financing activities	266,762.1	279,473.6	176,709.2
Net increase/(decrease) in cash and cash equivalents	(3,622.7)	27,651.0	(46,891.8)

The Issuer's operating profits before allocation for working capital changes for these periods were as follows:

Particulars	**(₹ million)**
Fiscal 2012	44,298.8
Fiscal 2013	62,672.7
Fiscal 2014	86,259.0

However, the Issuer's net cash flow from operating activities was negative in these periods as a result of an increase in the Issuer's lending operations.

The Issuer may not be able to identify attractive financing or investment opportunities, or provide financing to or make investments in such identified opportunities, which may adversely affect the Issuer's financial condition and results of operations.

There can be no assurance that the Issuer will be able to identify attractive financing or investment opportunities that meet its financing and investment criteria, or provide financing to or make investments in such identified opportunities. The activity of identifying attractive financing and investment opportunities is highly competitive and providing financing to or making such investments may be subject to various factors beyond the Issuer's control. In addition, the Issuer may not be able to fully ascertain the risks involved in the power sector projects the Issuer finances or invests in due to limited information.

Furthermore, any investment that the Issuer makes in power sector projects may be subject to contractual, legal and other restrictions, such as pre-emption rights and the requirement to obtain consents and approvals on resale. The illiquidity of these investments may make it difficult to sell investments even if the Issuer determines that the sale is in its interest. In addition, if the Issuer is required to liquidate all, or a portion of its investment portfolio quickly, the Issuer may not realise an appropriate value for its investments. The Issuer may also face other restrictions on its ability to liquidate an investment in an investee company to the extent that the Issuer has material non-public information regarding such company. In addition, the large number of competitors compared to the limited number of attractive investment opportunities in the Indian power sector may increase the cost at which investments may be made and reduce potential profits. The Issuer may also incur significant expenses identifying, investigating and seeking to acquire potential investments, which are ultimately not acquired, including expenses relating to due diligence, transportation, extended competitive bidding processes, legal expenses and the fees of other third-party advisors. Furthermore, in case of equity investments in the power sector, the Issuer's competing entities may seek to sell assets at the same time as the Issuer, thereby resulting in a decline in the value of such assets.

Material changes in the regulations that govern the Issuer's borrowers and the Issuer could cause the Issuer's business to suffer.

The Issuer is under the administrative control of the MoP and a number of the Issuer's activities are subject to supervision and regulation by statutory authorities including the RBI, the Securities Exchange Board of India (**SEBI**) and IRDA. The Issuer is also subject to policies/procedures of GoI departments such as the MoF, MCA and DPE. In addition, the Issuer's borrowers in the power sector are subject to supervision and regulation by the CEA, CERC and SERCs. See "*Regulations and Policies in India*" for more information. Furthermore, the Issuer is subject to changes in Indian law as well as to changes in regulation and government policies and accounting principles. The Issuer also receives certain benefits and takes advantage of certain exemptions available to its classification as a public financial institution under Section 2(72) of the Companies Act, 2013 and as a systemically important non-deposit taking NBFC that are also IFCs under the RBI Act.

In addition, the statutory and regulatory framework for the Indian power sector has undergone a number of changes in recent years and the impact of these changes is yet to be seen. The Electricity Act puts in place a framework for major reforms in the sector. Furthermore, there could be additional changes in the manner of determination of tariff and other policies and licensing requirements for, and tax incentives applicable to, companies in the power sector. Presently, the Issuer is not aware of the nature or extent of any future review and amendment of the Electricity Act and rules and policies issued thereunder, and it is possible that any amendments may have an adverse impact on the Issuer's business, financial condition and results of operations. Applicable laws and regulations governing the Issuer's borrowers and the Issuer could change in the future and any such changes could adversely affect the Issuer's business, financial condition and results of operations.

Volatility in foreign exchange and un-hedged foreign currency could adversely affect the Issuer's financial conditions and results of operations.

The Issuer has put in place a Currency Risk Management (**CRM**) policy to manage risks associated with foreign currency borrowings. The Issuer enters into hedging transactions to cover exchange rate and interest rate risk through various instruments, such as currency forwards, options, principal swaps, interest rate swaps and forward rate agreements.

The Issuer currently engages in borrowing from the international foreign currency markets. As an IFC, the Issuer is also eligible to raise, under the automatic route (without the prior approval of the RBI), ECBs up to U.S.$750.0 million each fiscal year, subject to the aggregate outstanding ECBs not exceeding 75.0 per cent. of the Issuer's owned funds including outstanding foreign currency borrowing. The Issuer is likely to avail of significant external commercial borrowings in the future. The enhanced level of borrowing will expose the Issuer to fluctuations in foreign exchange rates, which may have adverse effects on the Issuer's financial results. As of 31 March 2014, the Issuer had foreign currency borrowings outstanding of U.S.$999.13 million, JPY 41,643.20 million and €20.87 million (aggregate equivalent to ₹1,432.72 million, or 6.0 per cent. of the Issuer's total borrowings as of such date). As of 31 March 2014, the Issuer had lent in foreign currency to cover approximately 4.13 per cent. of its foreign currency principal exposure. As of 31 March 2014, U.S.$254.22 million and U.S.$575 million have been hedged for exchange rate risk and interest rate risks respectively. Foreign currency liabilities not hedged by a derivative instrument or otherwise as of 31 March 2014 were U.S.$ 791.93 million, €20.87 million and JPY 36,807.40 million. This however does not include partial hedges where only one currency leg has been hedged. Although the Issuer has in place the CRM policy to manage risk associated with foreign currency borrowings there is no assurance that it will remain effective over a period of time or that the Issuer will enter into effective hedging with respect to any foreign currency borrowing. The Issuer may be exposed to fluctuations in foreign currency rates with the increased foreign currency borrowings. Volatility in currency exchange rates could adversely affect the Issuer's business, financial condition and results of operations.

In addition, although the Issuer engages in hedging transactions to manage interest rate and foreign exchange currency rate risks, the Issuer's hedging strategy may not be successful in minimising its exposure to these fluctuations. The Issuer faces the risk that the counterparties to its hedging activities may fail to honour their contractual obligations to the Issuer. This may result in the Issuer not being able to net off its positions and hence reduce the effectiveness of the Issuer's hedges. Non-performance of contracts by counterparties may lead to the Issuer in turn not being able to honour its contractual obligations to third parties. This may subject the Issuer to, among others, legal claims and penalties.

Any dispute, proceeding or irregularity in title to properties leased or owned by the Issuer may adversely affect the Issuer's financial condition and result of operations.

The Issuer has taken certain properties on lease for its branch offices and it is possible that the lease for such properties may not be renewed on favourable terms. Certain of these properties may not have been constructed or developed in accordance with local planning and building laws and other statutory requirements. In addition, there may be certain irregularities in title in relation to some of the Issuer's owned/leased properties. For example, some of the agreements for such arrangements may not have been duly executed and/or adequately stamped or registered in the land records of the local authorities or the lease deeds may have expired and not yet been renewed. Since registration of land title in India is not centralised and has not been fully computerised, the title to land may be defective as a result of a failure on the part of the Issuer, or on the part of a prior transferee, to obtain the consent of all such persons or duly complete stamping and registration requirements. The uncertainty of title to land may impede the processes of acquisition, independent verification and transfer of title, and any disputes in respect of land title to which the Issuer may become party may take several years and considerable expense to resolve if they become the subject of court proceedings. Any such dispute, proceedings or irregularities may have an impact on the operation of the Issuer's business.

The Issuer may become liable for the acts or omissions of external consultants engaged by PFCCL.

The Issuer's wholly-owned subsidiary, PFCCL, provides consultancy services and undertakes execution of consultancy assignments in the power sector for its clients. For these purposes, PFCCL also engages external consultants. The Issuer also engages external consultants in the course of its business to assist in the conduct of the bidding process, among others. In the event that any acts or omissions of these external consultants may result in professional negligence or breach of contract, the Issuer may become liable to its clients or third parties for the acts or omissions of such external consultants, which could have an adverse affect on the Issuer's business, financial condition and results of operations.

The Issuer is subject to stringent labour laws and trade union activity or any work stoppage could have an adverse effect on the Issuer's business, financial condition and results of operations.

India has stringent labour legislation that protects the interests of workers, including legislation that sets forth detailed procedures for employee removal and dispute resolution and imposes financial obligations on employers. This makes it difficult for the Issuer to maintain flexible human resource policies, discharge employees or downsize, which though not quantifiable, may adversely affect the Issuer's business and profitability.

The Issuer has a registered trade union under the Trade Unions Act 1926. The Issuer's revised pay scales with its unionised employees expire on 31 December 2016. Although the Issuer considers its relations with its employees to be stable, 27.0 per cent. of its employees are unionised and although the Issuer has not lost any time on account of strikes or labour unrest to date, the Issuer's failure to effectively re-negotiate wage revisions or other legitimate union activity could result in work stoppages. Any such work stoppage, though not quantifiable, could have an adverse effect on the Issuer's business, financial condition and results of operations.

Risks relating to the Power Sector and Power Sector Financing in India

Private participation in the power sector in India is dependent on the continued growth of the Indian economy and regulatory developments in India. Any adverse change in policy, implementation or industry demand may adversely affect the Issuer.

Although the power sector is a rapidly growing sector in India, the Issuer believes that further development of this sector is dependent upon the formulation and effective implementation of regulations and policies that facilitate and encourage private sector investment in power projects. Many of these regulations and policies are evolving and their success will depend on whether they are designed to adequately address the issues faced and are effectively implemented. In addition, these regulations and policies will need continued support from stable and experienced regulatory regimes that not only stimulate and encourage the continued investment of private capital into power projects, but also lead to increased competition, appropriate allocation of risk, transparency and effective dispute resolution. The availability of private capital and the continued growth of the private power sector in India are also linked to continued growth of the Indian economy. Many specific factors in the power sector may also influence the success of power projects, including changes in policies, regulatory frameworks and market structures. Any adverse change in the policies relating to the power sector may leave the Issuer with unutilised capital and interest and debt obligations to fulfill. If the central and state governments' initiatives and regulations in the power sector do not proceed in the desired direction, or if there is any downturn in the macroeconomic environment in India, the Issuer's business, prospects, results of operations and financial condition could be adversely affected. In addition, it is generally believed that demand for power in India will increase in connection with expected increases in India's GDP. However, there can be no assurance that demand for power in India will increase to the extent the Issuer expects, or at all. In the event demand for power in India does not increase as anticipated, the extent to which the Issuer is able to grow its business by financing the growth of the power sector would be limited and this could have a material adverse effect on the Issuer's business, financial condition and results of operations.

Setting up and operating power projects in India requires a number of approvals and permits, and the failure to obtain or renew them in a timely manner may adversely affect the operations of the Issuer's borrowers and in turn adversely affect the quality of the Issuer's loans.

Setting up and operating power projects requires a number of approvals, licenses, registrations and permissions. Some of these approvals are subject to certain conditions, the non-fulfillment of which may result in revocation of such approvals. Moreover, some of the conditions may be onerous and may require the Issuer's customers to incur substantial expenditure, specifically with respect to compliance with environmental laws. Furthermore, certain of the Issuer's borrowers' contractors and other counterparties are required to obtain approvals, licenses, registrations and permits with respect to the services they provide to the Issuer's borrowers. The Issuer's borrowers, their contractors or any other party may not be able to obtain or comply with all necessary licenses, permits and approvals required for the power projects in a timely manner to allow for the uninterrupted construction or operation of the power plants, or at all. Any failure to renew the approvals that have expired or apply for and obtain the required approvals, licenses, registrations or permits, or any suspension or revocation of any of the approvals, licenses, registrations and permits that have been or may be issued to the Issuer's borrowers may adversely affect its operations. This in turn could adversely affect the quality of the Issuer's loans, may put the Issuer's customers in financial difficulties (which could increase the level of non-performing assets in the Issuer's portfolio) and adversely affect the Issuer's business and financial condition.

Significant shortages in the supply of crude oil, natural gas or coal could adversely affect the Indian economy and the power sector projects to which the Issuer has exposure, which could adversely affect the Issuer.

India imports approximately 80 per cent. of its requirements of crude oil, which comprised 37.17 per cent. of total imports in fiscal year 2014. Although oil prices have shown a marked lack of volatility recently, volatility in oil prices is expected to increase, as the current compressed level in oil prices appears inconsistent with falling inventories, limited global spare capacity and an escalation in the number and connectedness of geopolitical risks. The GoI has deregulated retail prices of certain fuels, and prices have moderated in fiscal year 2014 due to concerns over a slowdown in global economic growth. The GoI has also deregulated the prices of certain oil products resulting in greater pass-through of international crude prices to domestic oil prices.

Any significant increase in oil prices could affect the Indian economy, including the power sector, and the Indian banking and financial system. High oil prices could also add to inflationary pressures in the Indian economy. In addition, increases in oil prices may have a significant impact on the power sector and related industries in which the Issuer has substantial exposure. This could adversely affect the Issuer's business including its ability to grow, the quality of its asset portfolio, its financial condition and its ability to implement its strategy.

Natural gas is a significant input for power projects. India has experienced interruptions in the availability of natural gas, which has caused difficulties in these projects. Continued difficulties in obtaining a reliable, timely supply of natural gas could adversely affect some of the projects the Issuer finances and could impact the quality of the Issuer's asset portfolio and the Issuer's financial condition. Prices of other key raw materials, for example steel, coal and cement, have also risen in recent years and if the prices of such raw materials approach levels that project developers deem unviable, this will result in a slowdown in the infrastructure sector and thereby reduce the Issuer's business opportunities, its financial condition and its ability to implement its strategy.

Continued shortages of fuel could adversely affect some of the projects the Issuer finances and could impact the quality of the Issuer's asset portfolio and the Issuer's financial condition. With regard to coal, while there are substantial proven reserves in India, significant investments are required to mine the reserves. There can be no assurance that such investments will be made. Domestic coal demand is expected to increase significantly, driven by significant Indian power capacity addition. High dependence on domestic coal could therefore expose power companies to potential price and availability risks. In the case of a shortage of coal, the productivity of the domestic coal-fired power stations could be reduced and their expansion plans hindered. Domestic power companies also import coal however there is no assurance that such sources of coal will continue to be available to the power companies at reasonable price or terms.

The Issuer is exposed to project execution and construction delays faced by domestic power companies.

Domestic power companies face significant project execution and construction delay risks which could adversely affect projects financed by the Issuer. Power companies could experience longer than expected construction periods due to delays in obtaining environmental permits and infrastructure related delays in connecting to the grid. Accessing offtake and finalising fuel supply agreements could cause further delays.

Risks relating to India

Political instability or changes in the Government could delay the liberalisation of the Indian economy and adversely affect economic conditions in India generally, which could impact the Issuer's financial results and prospects.

The Issuer is incorporated in India, derive its revenues from operations in India and all its assets are located in India. Consequently, the Issuer's performance may be affected by interest rates, government policies, taxation, social and ethnic instability and other political and economic developments affecting India. The GoI has traditionally exercised and continues to exercise significant influence over many aspects of the Indian economy. The Issuer's business, and the market price of any Notes issued under the Programme, may be affected by changes in the GoI's policies, including taxation.

The most recent parliamentary elections were completed in May 2014. The National Democratic Alliance led by the Bharatiya Janata Party won the elections. Although there is no expectation of a significant change in the GoI's policies following the formation of the new Government, current macro-economic situations and global conditions might lead to a gradual departure from an accommodative fiscal and monetary policy, which would affect exchange rates and interest rates. Such events could also affect India's debt rating, the Issuer's business, its future financial performance and the trading price of the Notes.

Difficulties faced by other financial institutions or the Indian financial sector generally could cause the Issuer's business to suffer.

The Issuer is exposed to the risks consequent to being part of the Indian financial sector. This sector in turn may be affected by financial difficulties and other problems faced by Indian financial institutions. Certain Indian financial institutions have experienced difficulties during recent years, and some co-operative banks have also faced serious financial and liquidity difficulties. Any major difficulty or instability experienced by the Indian financial sector could create adverse market perception, which in turn could adversely affect the Issuer's business and financial condition.

The effects of the planned convergence with IFRS and the adoption of "Indian Accounting standards converged with IFRS" (IND-AS) are uncertain.

The Ministry of Corporate Affairs in India has announced a road map for the adoption of, and convergence with, IFRS. The Issuer will be required to prepare its annual and interim financial statements under IFRS, which is proposed to be implemented in a phased manner. As there is a significant lack of clarity on the adoption of and convergence with IFRS and there is not yet a significant body of established practice from which to draw when forming judgments regarding its implementation and application, the Issuer has not determined with any degree of certainty the impact that such adoption will have on its financial reporting. Furthermore, the new accounting standards will change the Issuer's methodology for estimating allowances for probable loan losses. New accounting standards may require the Issuer to value its non-performing loans by reference to their market value (if a ready market for such loans exists), or to calculate the present value of the expected future cash flows realisable from its loans, including the possible liquidation of collateral (discounted at the loan's effective interest rate) in estimating allowances for probable losses. This may result in the Issuer recognising higher allowances for probable loan losses in the future. Therefore, there can be no assurance that the Issuer's financial condition, results of operations, cash flows or changes in shareholders' equity will not appear materially worse under IFRS than under Indian GAAP. In the Issuer's transition to IFRS reporting, the Issuer may encounter difficulties in the ongoing process of implementing and enhancing its management information systems. Moreover, there is increasing competition for the small number of available IFRS-experienced accounting personnel as more Indian companies begin to prepare IFRS financial statements. There can be no assurance that the Issuer's adoption of IFRS will not adversely affect its reported results of operations or financial condition.

The Issuer's business and activities are regulated by the Competition Act, 2002 (the Competition Act) and any application of the Competition Act to the Issuer may be unfavourable or have an adverse effect on the Issuer's business, financial condition and results of operations.

The Indian Parliament has enacted the Competition Act under the auspices of the Competition Commission of India to prevent business practices that have an appreciable adverse effect on competition in India, which (other than for certain provisions relating to the regulation of combinations) became effective in 2009. Under the Competition Act, any arrangement, understanding or action in concert between enterprises, whether formal or informal, which causes or is likely to cause an appreciable adverse effect on competition in India is void and attracts substantial monetary penalties. Any agreement which directly or indirectly determines purchase or sale prices, limits or controls production, shares the market by way of geographical area, market or number of customers in the market is presumed to have an appreciable adverse effect on competition. Furthermore, if it is proved that the contravention committed by a company took place with the consent or involvement or is attributable to any neglect on the part of, any director, manager, secretary or other officer of such company, that person shall be guilty of a contravention and liable to be punished.

If the Issuer is affected, directly or indirectly, by any provision of the Competition Act or its application or interpretation, including any enforcement proceedings initiated by the Competition Commission and any adverse publicity that may be generated due to scrutiny or prosecution by the Competition Commission, it may have a material adverse effect on the Issuer's business, financial condition and results of operations.

A slowdown in economic growth in India could adversely impact the Issuer's business. The Issuer's performance and the growth of its business are necessarily dependent on the performance of the overall Indian economy.

The "Sixth Bi-Monthly Monetary Policy Statement, 2014-2015" by the RBI in February 2015 places the overall GDP growth rate for fiscal 2015 at 5.5 per cent. with an estimate for real GDP growth in fiscal 2016 to rise to 6.5 per cent. Any slowdown in the Indian economy or in the growth of the industry to which the Issuer provides financing to or any future volatility in global commodity prices could adversely affect the Issuer's borrowers and the growth of the Issuer's business, which in turn could adversely affect the Issuer's business, financial condition and results of operations.

India's economy could be adversely affected by a general rise in interest rates, currency exchange rates, adverse conditions affecting agriculture, commodity and electricity prices or various other factors. Furthermore, conditions outside India such as slowdowns in the economic growth of other countries could have an impact on the growth of the Indian economy and government policy may change in response to such conditions.

The Indian economy and financial markets are also significantly influenced by worldwide economic, financial and market conditions. Any financial turmoil, especially in the United States, Europe or China, may have a negative impact on the Indian economy. Although economic conditions differ in each country, investors' reactions to any significant developments in one country can have adverse effects on the financial and market conditions in other countries. A loss of investor confidence in the financial systems, particularly in other emerging markets, may cause increased volatility in Indian financial markets.

The global financial turmoil, an outcome of the sovereign credit crisis in Europe, has led to a loss of investor confidence in worldwide financial markets. Indian financial markets have also experienced the effect of the global financial turmoil, evident from the decline in SENSEX, BSE's benchmark index. Any prolonged financial crisis may have an adverse impact on the Indian economy, thereby having a material adverse effect on the Issuer's business, financial condition and results of operations.

Changes in legislation, including tax legislation, or policies applicable to the Issuer could adversely affect the Issuer's results of operations.

The Government has proposed two major reforms in Indian tax laws, namely the goods and services tax and provisions relating to General Anti Avoidance Rules (**GAAR**).

The goods and services tax, the provisions of which are proposed to come into effect from 1 April 2016 would replace the indirect taxes on goods and services such as central excise duty, service tax, customs duty, central sales tax, state VAT, surcharge and excise currently being collected by the central and state governments.

As regards GAAR, the provisions are scheduled to come into effect from 1 April 2017. The GAAR provisions intend to catch arrangements declared as "impermissible avoidance arrangements", which is any arrangement, the main purpose or one of the main purposes of which is to obtain a tax benefit and which satisfy at least one of the following tests: (i) creates rights, or obligations, which are not ordinarily created between persons dealing at arm's length; (ii) results, directly or indirectly, in misuse, or abuse, of the provisions of the Income Tax Act, 1961; (iii) lacks commercial substance or is deemed to lack commercial substance, in whole or in part; or (iv) is entered into, or carried out, by means, or in a manner, which are not ordinarily employed for bona fide purposes. The onus to prove that the transaction is an "impermissible avoidance agreement" is on the assessee. If GAAR provisions are invoked, then the tax authorities have wide powers, including denial of tax benefit or a benefit under a tax treaty. As the taxation system is intended to undergo significant overhaul, its effects on the Issuer cannot be determined as of the date of this Offering Circular and there can be no assurance that such effects would not adversely affect the Issuer's business, future financial performance and the trading price of the Notes.

The risks to financial stability could adversely affect the Issuer's business.

As reported by the RBI in its financial stability report dated 29 December 2014, the growth of the Indian banking sector moderated further during fiscal 2014. However, profitability declined on account of higher provisioning on banks' delinquent loans and credit growth. The banking stability indicator suggested that the overall risks to the banking sector remained unchanged during the first half of fiscal 2015. However, concerns remain on the account of deterioration in asset quality if the macroeconomic conditions deteriorate drastically.

The Issuer has little or no control over any of these risks or trends and may be unable to anticipate changes in economic conditions. Adverse effects on the Indian banking system could impact the Issuer's funding and adversely affect the Issuer's business, operations and financial condition and the market price of the Notes.

Depreciation of the Rupee against foreign currencies may have an adverse effect on the Issuer's results of operations and financial conditions.

As of 31 March 2014, the Issuer had consolidated outstanding foreign currency borrowings of approximately U.S.$999.13 million, JPY 41,643.20 million and €20.87 million, total U.S.$ equivalent of 1,432.72 million while substantially all of the Issuer's revenues are denominated in Rupees.

In 2013 there was a sharp depreciation in the Rupee against foreign currencies, including the U.S. dollar, as a result of growing concerns in relation to the current account deficit in India and a potential tapering of quantitative easing by the United States Federal Reserve. Accordingly, depreciation of the Rupee against these currencies will increase the Rupee cost to the Issuer of servicing and repaying the Issuer's foreign currency borrowings. The hedging arrangements of the Issuer for its foreign currency exposure may not fully protect the Issuer from foreign exchange fluctuations and the depreciation of the Rupee against foreign currencies may have an adverse effect on the Issuer's results of operation and financial conditions.

The Issuer's ability to raise foreign currency borrowings may be constrained by Indian law.

As an Indian company, the Issuer is subject to regulatory approvals and exchange controls that regulate borrowing in foreign currencies. In addition, there can be no assurance that the required approvals, including from the RBI, will be granted to the Issuer for issuances under the Programme, if at all. Such regulatory restrictions limit the Issuer's financing sources and hence could constrain the Issuer's ability to obtain financing in a timely manner and on competitive terms and may adversely impact the Issuer's ability to refinance existing indebtedness. Limitations on raising foreign debt may have an adverse effect on the Issuer's business, financial condition and results of operations. See also "*Investment Considerations — Risks Relating to the Issuer's Business*" for further information.

Economic developments and volatility in securities markets in other countries may negatively affect the Indian economy.

The Indian securities market and the Indian economy are influenced by economic and market conditions in other countries. Although economic conditions are different in each country, investors' reactions to developments in one country can have adverse effects on the securities of companies in other countries, including India. A loss of investor confidence in the financial systems of other emerging markets may cause volatility in Indian financial markets and, indirectly, in the Indian economy in general. Any worldwide financial instability could also have a negative impact on the Indian economy, including the movement of exchange rates and interest rates in India.

The global credit and equity markets have experienced substantial dislocations, liquidity disruptions and market corrections. The collapse of the sub-prime mortgage loan market in the United States that began in September 2008 led to increased liquidity and credit concerns and volatility in the global credit and financial markets in following fiscal years. The European sovereign debt crisis has led to renewed concerns for global financial stability and increased volatility in debt and equity markets. These and other related factors such as concerns over recession, inflation or deflation, energy costs, geopolitical issues, commodity prices and the availability and cost of credit have had a significant impact on the global credit and financial markets as a whole, including reduced liquidity, greater volatility, widening of credit spreads and a lack of price transparency in the United States and global credit and financial markets.

In the event that the current difficult conditions in the global financial markets continue or if there are any significant financial disruptions, this could have an adverse effect on the Issuer's cost of funding, loan portfolio, business, future financial performance and the trading price of any Notes issued under the Programme. Negative economic developments, such as rising fiscal or trade deficits, or a default on national debt in other emerging market countries may also affect investor confidence and cause increased volatility in Indian securities markets and indirectly affect the Indian economy in general.

Terrorist attacks, civil unrest and other acts of violence or war involving India and other countries could adversely affect the financial markets and could have a material adverse effect on the Issuer's business, financial condition and results of operations.

India has from time to time experienced social and civil unrest and hostilities both internally and with neighbouring countries. Present relations between India and Pakistan continue to be fragile on the issues of terrorism, armament and Kashmir. India has also experienced terrorist attacks in some parts of the country, including in July 2011 in Mumbai, India's financial capital, which resulted in the loss of life, property and business. India has also experienced terrorist attacks in other parts of the country. These hostilities and tensions could lead to political or economic instability in India and possible adverse effects on the Issuer's business, its future financial performance and the trading price of any Notes issued under the Programme. Furthermore, India has also experienced social unrest in some parts of the country. If such tensions occur in other parts of the country, leading to overall political and economic instability, it could have an adverse effect on the Issuer's business, future financial performance and the trading price of any Notes issued under the Programme. Events of this nature in the future, as well as social and civil unrest within other countries in Asia, could negatively impact the Indian economy.

There may be less company information available in Indian securities markets than in securities market in other more developed countries.

There is a difference between the level of regulation, disclosure and monitoring of the Indian securities market and the activities of investors, brokers and other participants and that of markets in the United States and other more developed economies. The SEBI is responsible for ensuring and improving disclosure and other regulatory standards for the Indian securities markets. The SEBI has issued regulations and guidelines on disclosure requirements, insider trading and other matters. There may, however, be less publicly available information about Indian companies than is regularly made available by public companies in more developed economies.

As a result, investors may have access to less information about the business, results of operations and financial conditions, and those of the competitors that are listed on the BSE and the NSE and other stock exchanges in India on an on-going basis than you may find in the case of companies subject to reporting requirements of other more developed countries. There is a lower level of regulation and monitoring of the Indian securities market and the activities of investors, brokers and other participants than in certain organisations for economic cooperation and development (**OECD**) countries. The SEBI received statutory powers in 1992 to assist it in carrying out its responsibilities for improving disclosure and other regulatory standards for the Indian securities market. Subsequently, the SEBI has prescribed certain regulations and guidelines in relation to disclosure requirements, insider dealing and other matters relevant to the Indian securities markets. However, there may still be less publicly available information about Indian companies than is regularly made available by public companies in certain OECD countries.

Natural calamities, climate change and health epidemics could have a negative impact on the Indian economy and could cause the Issuer's business to suffer and the trading price of the Notes to decrease.

India has experienced natural calamities such as earthquakes, floods and drought in the recent past. The extent and severity of these natural disasters determine their impact on the Indian economy. The extent and severity of these natural disasters determine their impact on the Indian economy. Prolonged spells of below normal rainfall in the country or other natural calamities could have a negative impact on the Indian economy, affecting the Issuer's business and potentially causing the trading price of the Notes to decrease. Because the Issuer's operations are located in India, the Issuer's business and operations could be interrupted or delayed as a result of a natural disaster in India, which could affect the Issuer's business, financial condition and results of operations.

Health epidemics could also disrupt the Issuer's business. In fiscal year 2010, there were outbreaks of swine flu, caused by the H1N1 virus, in certain regions of the world including India and several other countries in Asia. Any future outbreak of health epidemics may restrict the level of business activity in affected areas, which may in turn adversely affect the Issuer's business, and potentially cause the trading price of the Notes to decrease.

Any downgrading of India's debt rating by an international rating agency could have a negative impact on the Issuer's business.

The Issuer is rated by international rating agencies namely, Standard & Poor's, Fitch and Moody's for its foreign currency borrowings. Standard & Poor's which maintained a negative outlook since April 2012 revised India's credit outlook in September 2014, to "stable". Similar revision in credit outlook was made by Fitch.

There can be no assurance that these ratings will not be further revised, suspended or withdrawn by Standard and Poor's or Fitch or that any other global rating agency will also not downgrade India's credit ratings.

Any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely impact the Issuer's ability to raise additional financing, and the interest rates and other commercial terms at which such additional financing is available. This could have a material adverse effect on the Issuer's business and future financial performance, the Issuer's ability to obtain financing for providing finance to the power sector, and the trading price of any Notes issued under the Programme.

Direct capital market access by the Issuer's borrowers could adversely affect the Issuer.

The Indian capital markets are developing and maturing and, as such, there may be a shift in the pattern of power sector financing. Financially stronger state power utilities might source their fund requirements directly from the market. The Issuer has a large exposure to state power utilities and such changes may have an adverse impact on the Issuer's business, financial condition and results of operations.

A decline in India's foreign exchange reserves may affect liquidity and interest rates in the Indian economy, which could adversely impact the Issuer's financial condition.

A decline in India's foreign exchange reserves could impact the value of the Rupee and result in reduced liquidity and higher interest rates, which could adversely affect the Issuer's future financial condition. Alternatively, high levels of foreign funds inflow could add excess liquidity to the system, leading to policy interventions, which would also allow slowdown of economic growth. In either case, an increase in interest rates in the economy following a decline in foreign exchange reserves could adversely affect the Issuer's business, prospects, financial condition and results of operations.

Companies operating in India are subject to a variety of central and state government taxes and surcharges.

Tax and other levies imposed by the central and state governments in India that affect the Issuer's tax liability include: central and state taxes and other levies, income tax, value added tax, turnover tax, service tax, stamp duty and other special taxes and surcharges which are introduced on a temporary or permanent basis from time to time. Moreover, the central and state tax scheme in India is extensive and subject to change from time to time. In addition, there is a proposal to introduce a new goods and services tax and the scope of the service tax is proposed to be enlarged. The central or state government may in the future increase the corporate income tax it imposes. Any such future increases or amendments may affect the overall tax efficiency of companies operating in India and may result in significant additional taxes becoming payable. Additional tax exposure could adversely affect the Issuer's business and results of operations.

Risks Relating to an Investment in the Notes

Notes may not be a suitable investment for all investors.

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

- understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

The Notes are not guaranteed by the Republic of India.

The Notes are not the obligations of, or guaranteed by, the Republic of India. Although the Government owned 72.80 per cent. of the Issuer's issued and paid up share capital as of 31 March 2014, the Government is not providing a guarantee in respect of the Notes. In addition, the Government is under no obligation to maintain the solvency of the Issuer. Therefore, investors should not rely on the Government ensuring that the Issuer fulfils its obligations under the Notes.

Early redemption of the Notes prior to its stated average maturity may require the prior approval of the RBI or other approvals in accordance with the ECB Guidelines.

Any early redemption of the Notes (whether due to certain tax events described in Condition 8.2 or due to change of control events described in Condition 8.3 or due to an Event of Default as specified in Condition 11.1 or otherwise) will be subject to limitations on the ability of the Issuer to redeem the Notes prior to the their stated maturity date, including obtaining the prior written approval of the RBI or other approval, and compliance with any conditions that the RBI or other relevant Indian authorities may impose in accordance with ECB Guidelines at the time of such approval. Prior approval of the RBI may be required by the Issuer for the payment of withholding tax in any Tax Jurisdiction (as defined in Condition 9) other than India in a foreign currency. There can be no assurance that the RBI or other relevant Indian authorities will provide such approval in a timely manner, or at all.

Remittances of funds outside India pursuant to indemnification by the Issuer in relation to the Notes requires prior RBI approval.

Remittance of funds outside India by the Issuer pursuant to indemnity clauses under the Terms and Conditions of the Notes, the Trust Deed or any other agreements in relation to the Notes requires prior RBI approval under the Foreign Exchange Management (Guarantees) Regulations, 2000. Any approval, if and when required, for the remittance of funds outside India is at the discretion of the RBI and the Issuer can give no assurance that it will be able to obtain such approvals.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Notes are legal investments for it, (ii) the Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

Modification, waivers and substitution

The Terms and Conditions of the Notes and the Trust Deed contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes, (ii) determine without the consent of the Noteholders that any Event of Default or Potential Event of Default shall not be treated as such, or (iii) any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of law, in the circumstances described in the "*Terms and Conditions of the Notes*".

The Notes are subject to the risk of change in law.

The Terms and Conditions of the Notes are based on English law in effect as of the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes and any such change could materially and adversely impact the value of any Notes affected by it.

The price of the Notes following the offering may be volatile.

The price and trading volume of the Notes may be highly volatile. Factors such as variations in the Issuer's revenues, earnings and cash flows and proposals of new investments, strategic alliances and/or acquisitions and interest rates, could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the volume and price at which the Notes will trade. There can be no assurance that these developments will not occur in the future.

The Notes may have limited liquidity.

The Notes constitute a new issue of securities for which there is no existing market.

Approval-in-principle has been granted for the listing and quotation of the Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. The offer and sale of the Notes is not conditioned on obtaining a listing of the Notes on the SGX-ST or any other exchange.

No assurance can be given as to the liquidity of, or the development and continuation of an active trading market for, the Notes. If an active trading market for the Notes does not develop, or is not maintained, the market price and liquidity of the Notes may be adversely affected. If such a market were to develop, the Notes could trade at prices that may be higher or lower than the price at which the Notes are issued depending on many factors, including:

- prevailing interest rates;
- the Issuer's results of operations and financial condition;
- political and economic developments in and affecting India;
- the market conditions for similar securities; and
- the financial condition and stability of the Indian power sector.

Investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

Notes where denominations involve integral multiples: definitive Notes.

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination (as specified in the applicable Pricing Supplement) plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

Noteholders are required to rely on the procedures of the relevant clearing system and its participants while the Notes are cleared through the relevant clearing system.

Notes issued under the Programme will be represented on issue by one or more Global Notes that may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in each Global Note, investors will not be entitled to receive Notes in definitive form. Each of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note held through it. While the Notes are represented by a Global Note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Notes are represented by Global Notes, the Issuer will discharge its payment obligation under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note.

Holders of beneficial interests in a Global Note will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

If definitive Notes are issued, holders should be aware that definitive Notes that have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Noteholders' right to receive payments is junior to certain tax and other liabilities preferred by law.

The Notes are unsecured obligations of the Issuer and will rank subordinated to certain liabilities preferred by law, such as claims of the Government on account of taxes, and certain liabilities incurred in the ordinary course of the Issuer's business and will be effectively subordinated to the secured obligations of the Issuer. In particular, in the event of bankruptcy, liquidation or winding-up, the Issuer's assets will be available to pay obligations on the Notes only after all of the above liabilities that rank senior to these Notes have been paid (including liabilities which have the benefit of security). In the event of bankruptcy, liquidation or winding-up, there may not be sufficient assets remaining, after paying amounts relating to these proceedings, to pay amounts due on the Notes.

Decisions may be made on behalf of all Noteholders that may be adverse to the interests of individual Noteholders.

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Interest on the Notes may be subject to EU Savings Directive.

Under Council Directive 2003/48/EC on the taxation of savings income (the **Saving Directive**), Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

For a transitional period, Austria is required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments. The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 24 March 2014, the Council of the European Union adopted a Council Directive (the **Amending Directive**) amending and broadening the scope of the requirements described above. The Amending Directive requires Member States to apply these new requirements from 1 January 2017, and if they were to take effect the changes would expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities. They would also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported or subject to withholding. This approach would apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

However, the European Commission has proposed the repeal of the Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative

Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent (as defined in the Conditions of the Notes) nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

Some of the information included in this Offering Circular has been prepared by third parties and may be inaccurate or outdated.

This Offering Circular includes information on the Republic of India, the Indian economy and the Indian power industry taken from third parties, which the Issuer believes are reliable. However, the information taken from third parties and included in this Offering Circular may be inaccurate and outdated, and the Issuer makes no representation or warranty, express or implied, as to the accuracy or completeness of this information. Statements from third parties that involve estimates are subject to change, and actual amounts may differ materially from those included in this Offering Circular. The Issuer also cannot provide any assurance that the third parties have used correct or sound methodology to prepare the information included in this Offering Circular.

Foreign Account Tax Compliance Act withholding may affect payments on the Notes.

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (**FATCA**) impose a new reporting regime and, potentially, a 30 per cent. withholding tax with respect to (i) certain payments from sources within the United States, (ii) "foreign passthru payments" made to certain non-U.S. financial institutions that do not comply with this new reporting regime, and (iii) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution. While the Notes are in global form and held within the Euroclear or Clearstream, Luxembourg (together, the **ICSDs**), in all but the most remote circumstances, it is not expected that the new reporting regime and potential withholding tax will affect the amount of any payment received by the ICSDs. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax advisers to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Notes are discharged once it has made payment to, or to the order of the common depositary or common shopkeeper for the ICSDs and the Issuer has therefore no responsibility for any amount thereafter transmitted through the ICSDs and custodians or intermediaries. Furthermore, foreign financial institutions in a jurisdiction which has entered into an intergovernmental agreement with the United States (an **IGA**) are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make. Prospective investors should refer to the section "*Taxation — Foreign Account Tax Compliance Act*."

Hiring Incentives to Restore Employment Act withholding may affect payments on the Notes

The U.S. Hiring Incentives to Restore Employment Act (the **HIRE Act**) imposes a 30 per cent. withholding tax on amounts attributable to U.S. source dividends that are paid or "deemed paid" under certain financial instruments if certain conditions are met. While significant aspects of the application of the relevant provisions of the HIRE Act to the Notes are uncertain, if the Issuer or any withholding agent determines that withholding is required, neither the Issuer nor any withholding agent will be required to pay any additional amounts with respect to amounts so withheld. Prospective investors should refer to the section "*Taxation — Hiring Incentives to Restore Employment Act*".

Risks Related to the Market Generally

Payments of principal and interest are subject to exchange rate risks and exchange controls.

The Issuer will pay principal and interest on the Notes in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than U.S. dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of the U.S. dollar or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to U.S. dollars would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes, and (iii) the Investor's Currency-equivalent market value of the Notes.

Investment in the Notes is subject to interest rate risks.

Investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of them.

DESCRIPTION OF THE ISSUER

Overview

The Issuer, a leading financial institution in India, has been in the power sector since its incorporation. The Issuer was established as an integral part of, and continues to play a strategic role in, the initiatives of the GoI for the development of the power sector in India. The Issuer works closely with GoI agencies, state governments, power sector utilities, other power sector intermediaries and private sector clients for the development and implementation of policies and structural and procedural reforms for the Indian power sector. In addition, the Issuer is involved in various GoI programmes relating to the power sector, including acting as the nodal agency for the UMPP programme and R-APDRP and as a bid process coordinator for the ITP scheme.

The Issuer provides a comprehensive range of financial products and related advisory and other services to its clients. The services range from project conceptualisation to the post-commissioning stage, including generation (conventional and renewable), transmission and distribution projects and related renovation and modernisation projects. The Issuer provides various fund-based financial assistance, including project finance, short-term loans, buyer's line of credit and debt refinancing schemes, in addition to non-fund based assistance including default payment guarantees and letters of comfort. The Issuer also provides various fee-based technical advisory and consultancy services for its power sector projects.

The Issuer has well established relationships with the GoI and state governments, regulatory authorities, major power sector organisations, central and state power utilities, and private sector power project developers. The Issuer has strategically expanded its focus areas to include projects that represent forward and backward linkages to the core power sector projects, including procurement of capital equipment for the power sector, fuel sources for power generation projects and related infrastructure development. The Issuer also funds power trading initiatives.

The Issuer's primary sources of funds include equity capital, internal resources and domestic and foreign currency borrowings. The Issuer currently has received credit ratings for its long-term domestic borrowings and its short-term borrowings from CRISIL (a subsidiary of Standard & Poor's), CARE and ICRA (an affiliate of Moody's). International credit rating agencies Moody's, Fitch and Standard & Poor's have also granted the Issuer long-term foreign currency issuer ratings.

The Issuer is a listed GoI company and a public financial institution under the Companies Act. The Issuer is registered with the RBI as a non-deposit taking systemically important NBFC and was classified as an IFC in July 2010. The Issuer believes that its NBFC and IFC classification enables it to effectively capitalise on available financing opportunities in the Indian power sector. In addition, as a GoI-owned NBFC, loans made by the Issuer to central and state entities in the power sector are exempt from the RBI's prudential lending (exposure) norms that are applicable to other non-government owned NBFCs until March 2016. However, the Issuer follows prudential lending norms and guidelines approved by the MoP with respect to loans made to central and state entities in the Indian power sector, while the Issuer's loans made to the private sector are generally consistent with lending (exposure) norms stipulated by the RBI. The Issuer believes its classification as an IFC enhances its ability to raise funds on a cost-competitive basis (including through issuance of Rupee-denominated infrastructure bonds that offer certain tax benefits and tax free bonds to the bondholders), and increases its lending exposures to individual entities, corporations and groups, compared to other NBFCs that are not IFCs.

Awards and Recognitions

The Issuer was granted the *Navratna* status by the GoI in 2007, and has received an "Excellent" rating from the GoI in each of the last five fiscal years. Additionally the Issuer was listed in (i) the "Top 500 Global Financial Brands 2009" published by Brand Finance Plc (which is a leading independent global brand valuation consultancy), as being the only non-bank diversified financial services brand from India and (ii) the "Forbes Magazine list of World's Biggest 2000 Companies, 2009", which includes 47 Indian companies.

Since October 2012, the Issuer has also received the following awards for its consistent performance:

- the "Performance Excellence Award" for the year 2011-12 instituted by the Indian Institution of Industrial Engineering, Mumbai at the 17th annual CEO's conference;

- the "Enertia Award" for the years 2012 and 2013 and in the category of "Best Power Financing Company" at a function organised by Falcon Media;

- the "India Power Award 2012" in the category of "Large Financial Institution" at a function organised by the council of power utilities on 29 November 2012;

- the "ICC PSE Excellence Award 2012" in the category of "Best Human Resource Management" instituted by the Indian Chamber of Commerce in association with the Department of Public Enterprises, GoI;

- the "India Pride Award" for the years 2012-13 and 2013-14 in the category of "Special Recognition for Contribution in Power Distribution" at a function organised by Dainik Bhaskar Group on 28 January 2012; and

- the "6th India Power Award 2013" in the category of "Outstanding and Noteworthy Accomplishments in the Sector" in a function organised by the Council of Power Utilities.

Financial Highlights of the Issuer

As of the date of this Offering Circular, the shareholding of the GoI is 72.80 per cent. of the paid-up equity capital of the Issuer.

The Issuer has an established track record of consistent financial performance and growth:

- The Issuer's total loan assets increased from ₹1,603,666.0 million as of 31 March 2013 to ₹1,892,312.4 million as of 31 March 2014. As of 31 March 2014, the Issuer's total loans sanctioned pending disbursement (net of any loan sanctions cancelled) was ₹1,560,360.0 million.

- The Issuer's total income increased from ₹172,725.5 million in fiscal 2013 to ₹215,374.6 million in fiscal 2014, while the Issuer's profit after tax increased from ₹44,196.0 million in fiscal 2013 to ₹54,177.5 million in fiscal 2014.

- The Issuer had gross NPAs of ₹13,584.7 million, ₹11,345.1 million and ₹12,277.1 million as of 31 March 2012, 2013 and 2014, respectively, which represented 1.04 per cent., 0.71 per cent., and 0.65 per cent. of the Issuer's total loan assets, respectively, as of such dates.

- The Issuer's profit after tax as a percentage of average total assets and as a percentage of average net worth were 2.98 per cent. and 23.07 per cent., respectively, in fiscal 2014.

- The Issuer's net worth as of 31 March 2014 was ₹250,980.9 million.

- The Issuer's capital adequacy ratio was 20.10 per cent. as of 31 March 2014.

Competitive Strengths

The Issuer believes that the following are its primary strengths:

Comprehensive financial assistance platform focused on the Indian power sector

The Issuer provides a comprehensive range of financial products and related advisory and other services to its clients in the power sector, ranging from project conceptualisation to the post-commissioning stage, including generation (conventional and renewable), transmission and distribution projects as well as related renovation and modernisation projects. The Issuer also provides its clients with fee-based technical advisory and consultancy services for power sector projects. The Issuer offers various fund-based financial products including long-term project finance, short-term loans, buyer's lines of credit and debt refinancing schemes, as well as non-fund based assistance including default payment guarantees and letters of comfort.

Strategic role in GoI initiatives and established relationships with power sector participants

The Issuer was established as an integral part of, and has continued to play a strategic role in, the GoI's initiatives for the promotion and development of the power sector in India for more than two decades. The Issuer has been involved in the development and implementation of various policies and structural and procedural reforms for the power sector. The Issuer has been involved in various GoI programmes for the power sector, including acting as the nodal agency for the UMPP and the R-APDRP and as a bid process coordinator for the ITP scheme.

As a result, the Issuer has developed strong relationships with central and state governments, various regulatory authorities, significant power sector organisations, central and state power utilities, private sector project developers, as well as other intermediaries in the power sector. The Issuer believes that its wide experience in implementing government policies and programmes provides the Issuer with industry expertise allowing it to leverage its project risk assessment capabilities to effectively evaluate projects, structure appropriate financing solutions, develop effective loan disbursement and project monitoring methodologies, as well as provide regulatory and related advisory services. The Issuer believes that it provides value to its clients in various ways, by supporting their operations as well as providing assistance with long-term reform and restructuring programmes. It believes that this unique positioning enables it to leverage its power sector expertise, its existing large client base and continuing relationships with government agencies and instrumentalities to be a preferred financing provider for the power sector in India.

Operational flexibility to capitalise on both fund raising and lending opportunities

The Issuer is registered with the RBI as an NBFC and has also been classified as an IFC. The Issuer believes that its NBFC and IFC classification enables it to be operationally more flexible than some of its competitors and effectively capitalise on available financing opportunities.

As an NBFC, the Issuer is governed by regulations and policies that are generally less stringent than those applicable to commercial banks, including provisions relating to liquidity requirements and the requirement to hold a significant portion of funds in relatively low yield assets, such as GoI and other approved securities and cash reserves.

In addition the RBI has exempted the Issuer as a GoI owned NBFC, from the application of its circular on prudential reserve norms, the Non-banking Financial (Non-deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007. Instead, the Issuer follows the prudential norms approved by its Board and the MoP.

In fiscal 2007, the RBI directed the Issuer to submit a roadmap for compliance with RBI prudential norms. Accordingly, the Issuer has submitted roadmaps to the RBI from time to time and, based on the roadmaps, the RBI has given exemptions to the Issuer from the application of various RBI prudential norms but not, for example, the exposure norms for private sector utilities. Subsequently, the RBI directed the Issuer to follow borrower asset classification in respect of GoI sector utilities (the Issuer had already been following borrower asset classification in private sector utilities) and the RBI allowed the Issuer to apply its prudential norms until 31 March 2016, as set out in the RBI letters dated 25 July 2013 and 3 April 2014.

In relation to the restructuring, rescheduling and renegotiation of loans, the RBI has allowed the Issuer to apply the MoP approved prudential norms until 31 March 2017 for transmission and distribution, renovation and modernisation and life extension projects, hydro projects in the Himalayan region or other regions affected by natural disasters. The RBI norms for restructuring will be applicable to those new project loans sanctioned to generating companies with effect from 1 April 2015 and restructured thereafter. Loans sanctioned up to 31 March 2015 and restructured thereafter will be regulated by the MoP approved norms. However, for loans to generating companies sanctioned up to 31 March 2015 and restructured thereafter, the provisioning requirement for restructured loans will be as per the RBI norms, as set out in the RBI letter dated 11 June 2014 and the Issuer's letter dated 3 July 2014.

In July 2010, the Issuer was classified as an IFC, which is a distinct category of NBFCs that are primarily engaged in infrastructure financing. The Issuer believes its classification as an IFC enables the Issuer to increase its lending exposures to individual entities, corporations and groups, compared to other NBFCs that are not IFCs. The Issuer believes that this results in significant competitive advantages in providing project financing for large, long-gestation power sector projects. For example, an IFC is entitled to lend up to 25.0 per cent. of its owned funds to a single borrower in the infrastructure sector, compared to 20.0 per cent. of owned funds by other NBFCs categorised as a "loan company". As an IFC, the Issuer is also eligible to raise, under the automatic route (without the prior approval of the RBI), ECBs up to U.S.$750.00 million each fiscal year, subject to the aggregate outstanding ECBs not exceeding 75.0 per cent. of the Issuer's owned funds including outstanding foreign currency borrowings. As an IFC, the Issuer is also required to maintain CRAR of 15.0 per cent. (with a minimum Tier I capital of 10.0 per cent.). For further information relating to the IFC category of NBFCs and differences with non-IFC classified NBFCs, see "*Regulations and Policies in India*".

Favourable credit rating and access to various cost-competitive sources of funds

The Issuer's primary sources of funds include equity capital, internal resources and domestic and foreign borrowings. CRISIL, ICRA and CARE have granted the Issuer with credit ratings for its long-term domestic borrowings and its short-term borrowings. International credit rating agencies Moody's, Fitch and Standard & Poor's have also provided the Issuer with long-term foreign currency issuer ratings.

The Issuer believes that its financial strength and its favourable credit ratings facilitate it to access various cost-competitive funding options. The Issuer's borrowings reflect various sources, maturities and currencies, and include bonds, term loans and commercial paper. In addition to the above mentioned sources, the Issuer also depends on Rupee-denominated bonds and commercial borrowings raised in India. As an IFC, the Issuer is able to further diversify its borrowings through the issuance of Rupee-denominated infrastructure bonds that offer certain tax benefits and tax exemption on interest to the bonds holders. Furthermore, subject to certain conditions, the Issuer is also eligible to raise, under the automatic route (without the prior approval of the RBI), ECBs up to U.S.$750.0 million each fiscal year subject to the aggregate outstanding ECBs not exceeding 75.0 per cent. of the Issuer's owned funds including outstanding foreign currency borrowings. The Issuer has also accessed various international funding sources including the World Bank, the Asian Development Bank and KfW Development Bank. The Issuer's cost of funds in fiscal 2012, 2013 and 2014 was 9.0 per cent., 9.09 per cent. and 8.85 per cent., respectively, which the Issuer believes is competitive. Historically most of the Issuer's borrowings have been on an unsecured basis.

Comprehensive credit appraisal and risk management policies and procedures

The Issuer has developed extensive knowledge and experience in the Indian power sector, and believes it has comprehensive credit appraisal policies and procedures which enable it to effectively appraise and extend financial assistance to various power sector projects. The Issuer follows a systematic institutional and project appraisal process to assess and mitigate project and credit risk. The Issuer believes its internal processes and credit review mechanisms reduce the number of defaults on its loans and contribute to its profitability.

The comprehensive credit appraisal and project monitoring process also result in strong collection and recovery. As of 31 March 2014, 88.31 per cent. of the Issuer's outstanding loans to central and state sector borrowers provide for an escrow mechanism, which ensures that in case of default in payment of dues to the Issuer by such borrowers, the escrow agent is required to make available the default amount to the Issuer on demand.

The Issuer had gross NPAs of ₹13,584.7 million, ₹11,345.1 million and ₹12,277.1 million as of 31 March 2012, 2013 and 2014, respectively, which represented 1.04 per cent., 0.71 per cent. and 0.65 per cent. of the Issuer's total loan assets, respectively, as of such dates.

Track record of consistent financial performance and growth

The Issuer believes that it has an established track record of consistent financial performance and growth, which enables it to capitalise on attractive financing opportunities in the Indian power sector. The Issuer's total loan assets increased from ₹1,603,666.0 million as of 31 March 2013 to ₹1,892,312.4 million as of 31 March 2014. As of 31 March 2014, the Issuer's total loans sanctioned pending disbursement (net of any loan sanctions cancelled) was ₹1,560,360 million. In addition, the Issuer's loan asset portfolio has increasingly diversified by sector and customer base. As of 31 March 2014, 67 per cent., 11 per cent. and 7 per cent. of the Issuer's total loan assets related to state sector, central sector and joint sector borrowers, respectively, while 15 per cent. related to private sector borrowers. As of 31 March 2014, 77 per cent., 6 per cent., 4 per cent. and 13 per cent. of the Issuer's total loan assets related to power generation projects, transmission projects, distribution projects and others (including various aspects such as transitional finance, computerisation, funding of regulatory assets, equipment manufacturer loan, loan against receivables, short term loans and buyer lines of credit), respectively. As of 31 March 2014, the Issuer's top five, ten and 20 borrowers represented 28.31 per cent., 45.44 per cent. and 65.16 per cent., respectively, of its total loan assets.

Similarly, the Issuer's total income increased from ₹172,725.5 million in fiscal 2013 to ₹215,374.6 million in fiscal 2014, while the Issuer's profit after tax increased from ₹44,196.0 million in fiscal 2013 to ₹54,177.5 million in fiscal 2014. The Issuer's profit after tax as a percentage of average total assets and as a percentage of average net worth were 2.98 per cent. and 23.07 per cent., respectively, in fiscal 2014. Net interest margin was 4.94 per cent. in fiscal 2014, while spread was 3.45 per cent. in fiscal 2014.

The Issuer's net worth as of 31 March 2014 was ₹250,980.9 million, while the Issuer's capital adequacy ratio was 20.1 per cent. as of 31 March 2014.

Experienced and committed management and employee base with in-depth sector expertise

The Issuer believes it has an experienced, qualified and committed management and employee base. Many of the Issuer's employees, especially senior management, have worked with the Issuer for significantly long periods. The Issuer believes that it has an efficient and lean organisational structure relative to the size of its operations and profitability. The Issuer's personnel policies are aimed towards recruiting talented employees and facilitating their integration into the company and encouraging the development of their skills.

The Issuer's management has significant experience in the power sector and the financial services industry, which has enabled it to develop a comprehensive and effective project appraisal process, implement a stringent risk management framework, identify specific requirements of power sector projects and offer comprehensive financing solutions and advisory assistance to such projects. The managerial experience along with their strong relationships with GoI agencies and instrumentalities and other power sector intermediaries have enabled the Issuer to successfully identify attractive financing opportunities. The Issuer believes that its experienced management team has been key to its success and will assist the Issuer to capitalise on future opportunities.

Strategy

Continue to leverage industry expertise and relationships to capitalise on the expected growth in the Indian power sector

The Issuer intends to continue to leverage its industry experience and relationships to provide comprehensive financing solutions for power sector projects in India. The Indian power sector has historically been characterised by power shortages and relatively low per capita consumption. The projected capacity addition at the end of the 12^{th} five years plan is 88,537MW requiring investment of over ₹14 trillion. Therefore, there are various investment opportunities in power projects, power equipment manufacturing, wind and solar power, coal mining, natural gas, liquefied natural gas, gas pipelines, carbon trading and CDM projects. The Issuer intends to employ its industry expertise and ability to develop, supervise and implement structured financial assistance packages based on specific operational and financial performance standards to assist otherwise financially weak SPUs and public sector projects and improve their financial position. The Issuer aims to continue contributing to the development and implementation of GoI policies relating to the power sector in India and play an integral role in the supervision of the implementation of reforms by SPUs and GoI agencies.

Strategically expand business and service offerings

Consultancy and other fee-based services

The Issuer and its subsidiary PFCCL intend to continue to increase focus on its fee-based technical and consultancy services to SPUs, power distribution licensees, IPPs, public sector undertakings and SERCs. The Issuer proposes to continue providing fee-based services for various GoI programmes for the power sector in India, including acting as a nodal agency for UMPP and R-APDRP projects and as a bid process coordinator for the ITP scheme.

Debt syndication

The Issuer intends to enhance its focus on debt syndication activities in the power sector. The Issuer has had the opportunity to act as the lead financial institution for several projects, and has carried out syndication activities for various projects including with members of the Power Lenders Club, a group of 21 banks and financial institutions that work together to provide financing for large projects in the Indian power sector. The Issuer plans to continue targeting debt syndication opportunities as it considers that its technical expertise, industry experience, project appraisal capabilities and relationship with commercial banks and other financial institutions ensure timely financial closure for such projects. Furthermore, PFC Capital Advisory Services Limited (**PFCCAS**) was incorporated as a wholly owned subsidiary of the Issuer on 18 July 2011 to focus on sectoral requirements for financial advisory services, including syndication services.

Equity investments

The Issuer is in the process of evaluating equity investment opportunities. It aims to leverage its financial strength, large debt providing capability and power sector expertise to invest in the equity of various power projects. Furthermore, the Issuer is evaluating the possibility of entering into equity syndication so as to expedite early financial closure of projects leading to faster capacity addition. This would help the Issuer to enhance its fee-based income. Over a period of time, the Issuer plans to build an equity portfolio of power assets which could provide consistent gains in the form of dividend and/or capital appreciation. In this direction, the Issuer has recently established an Equity Funding Group to facilitate and develop this business area.

The Issuer's plans to increase its disbursements will require the Issuer to raise more funds from new as well as existing sources. The Issuer aims to become a major player in the financing of private power projects in India. Given its expansion plans, the Issuer seeks to tap new markets and diversify sources for raising resources for on-lending purposes.

As a financial institution involved in development, the Issuer is concerned with the balanced development of the Indian power sector and looks to involve itself in the progress of the Indian power sector's policy and regulatory framework. The Issuer aims to enhance its role in influencing grass root reforms to set the basis for overall privatisation.

Broaden loan asset base and borrower profile

Private sector projects

As of 31 March 2012, 2013 and 2014, 11 per cent., 12 per cent. and 15 per cent., respectively, of the Issuer's total loan assets related to private sector projects. The Issuer intends to continue to provide financial assistance to private sector generation, transmission and distribution projects to further diversify its borrower profile.

Hydro projects and renewable energy

The Issuer intends to continue to focus on providing financial assistance to hydro projects to facilitate an optimal mix of thermal and hydro projects in its loan asset portfolio. The Issuer has extended loan repayment periods of state sector loans up to 20 years after moratorium for hydro projects, effectively increasing the loan tenor for such projects.

The Issuer believes that the renewable energy space in India provides significant untapped potential. According to the Ministry of New and Renewable Energy (**MNRE**), as of 31 March 2014, India had an aggregate installed capacity of 31,707MW of grid interactive renewable energy projects out of an estimated potential of 245,000MW. The GoI has also launched the JNNSM, with a target of 20,000 MW grid connected solar power by fiscal 2022. The Issuer has strategically increased its focus on renewable energy projects, including solar, wind, biomass and small hydro projects, to capitalise on the GoI's various renewable energy initiatives. These initiatives include certain minimum specified percentages of state distribution utilities' total power requirements required to be met from renewable energy sources and special tariffs for renewable energy projects.

The Issuer has formed a group called "Renewable Energy and Clean Development Mechanism" and set up a wholly owned subsidiary called PFC Green Energy Limited (**PFCGEL**) to focus on financing opportunities in renewable energy projects and promote renewable energy initiatives.

The Issuer continues to provide financing for public and private sector renewable energy generation projects. The Issuer's total loan assets outstanding with regard to renewable energy projects aggregated ₹19,900 million as of 31 March 2014. As of 31 March 2014, around 1.0 per cent. of the Issuer's total loan assets and around 1.0 per cent. of its total loans sanctioned pending disbursement (net of any sanctions cancelled), related to renewable energy projects.

Forward and backward linkages to core power sector projects

As of 31 March 2014, 77 per cent., 6 per cent. and 4 per cent. of the Issuer's loan assets related to power generation projects, transmission projects and distribution projects, respectively. The Issuer has strategically expanded its focus areas to include projects that represent forward and backward linkages to the core power sector projects, including capital equipment for the power sector, fuel sources for power generation projects and related infrastructure development, as well as power trading initiatives.

Capital equipment manufacturers. The Indian power sector requires augmentation of equipment manufacturing capacities for capital equipment for all segments of the power sector from generation to transmission and distribution. The Issuer intends to provide financial assistance for manufacturers of equipment used in the power sector, including transmission and distribution equipment and solar and wind energy generation equipment.

Fuel sources and related infrastructure development. The GoI has introduced various reforms for the development of fuel sources for thermal power generation projects, including allocation of coal blocks to public and private sector entities as well as the development of related infrastructure facilities for the transportation of coal and other fuel sources such as natural gas. The Issuer intends to provide financing assistance to fuel supply projects and related infrastructure development projects.

Power trading. The Issuer intends to continue to strategically focus on power trading initiatives in India. The Issuer has made a strategic investment in Power Exchange India Limited (**PXIL**), which is promoted by the NSE and the NCDEX, and operates as a national power exchange in India. The Issuer has also entered into a joint venture agreement with NTPC, NHPC and TCS to establish NPEL, which is yet to commence its operations. The Issuer funds non-speculative purchases of power through such exchanges by some of its borrowers, particularly public sector power distribution companies.

Continue to develop strategic partnerships and evaluate new business opportunities

The Issuer proposes to continue to develop partnerships and alliances and evaluate new business opportunities related to the power sector in India. The Issuer is an equity shareholder in PTC, which is involved in power trading and related activities. The Issuer has also invested in NPEL and PXIL to encourage power trading initiatives in India. While PXIL has been operating a national power trading platform since October 2008, as of the date of this Offering Circular NPEL has not yet commenced operation. The Issuer has also invested in the Small is Beautiful fund, which is a SEBI-registered venture capital fund that invests in power generation projects, operated by KSK Investment Advisor Private Limited, a private sector power project developer. The Issuer has also promoted Power Equity Capital Advisors Private Limited (**PECAP**) with various industry experts to provide advisory services related to equity investments in the power sector in India. However, as of the date of this Offering

Circular PECAP has not yet transacted any business due to lack of business proposals. The Issuer has sought an approval from the MoP for the dissolution of PECAP and the removal of its name from the records of Registrar of Companies under the provisions of Section 560 of the Companies Act, 1956. The approval is yet to be received by the Issuer. The Issuer has also jointly promoted EESL with other GoI companies focused on the Indian power sector to develop energy efficiency products and services and provide consultancy services related to CDM, carbon markets and energy efficiency initiatives. In addition to the above efforts, in October 2010, the Issuer entered into a memorandum of understanding with NPCIL to explore potential financing opportunities for nuclear power generation projects.

The Issuer incorporated a wholly owned subsidiary called PFCCAS on 18 July 2011 which is exclusively focused on debt syndication services for the power sector including the identification of lenders, the preparation of information memorandum and term sheets. PFCCAS also assists in the preparation of documentation for power generation projects, such as thermal, hydro, wind and solar.

The Issuer also incorporated a wholly owned subsidiary named PFCGEL, which has received its certificate of registration to function as an NBFC from the RBI. It commenced its business operations from March 2013. The company intends to capture a substantial market share of the renewable energy sector.

Investment Considerations

The Issuer's ability to successfully implement its business plan and growth strategies continue to be subject to various factors, including the following: concentration on the power sector, which has a limited number of borrowers and which are mainly SPUs and SEBs, many of which have been historically loss making; volatility in interest rates; an inability to obtain sufficient security or collateral on the Issuer's loans; the Issuer's ability to maintain a low effective cost of funds; the Issuer's ability to implement effective risk management policies and procedures; changes in applicable regulations and policies that adversely affect the Issuer's business and industry; various risks associated with the projects the Issuer finances and the Issuer's ability to compete effectively. For further discussion on weaknesses and threats, and of factors that could adversely affect the Issuer's future financial condition and results of operations, see "*Investment Considerations*".

Products

The Issuer provides a comprehensive range of fund based and non-fund based financial products and services from project conceptualisation to the post-commissioning stage to its clients in the power sector.

The Issuer's fund based financial assistance includes primarily project finance (both Rupee and foreign currency denominated term loans), short-term loans, equipment lease financing, buyer's lines of credit, debt refinancing schemes, bridge loans, transitional loans and line of credit for import of coal and other fuel.

The non-fund based assistance includes default payment guarantees and letters of comfort.

Fund Based

The Issuer's loan assets are presented as adjusted for any provisions for contingencies made in the respective fiscal periods.

The following table sets forth certain information relating to the Issuer's total loan assets as of the dates indicated:

Particulars	As of 31 March					
	2012		2013		2014	
	₹ million	% of total	₹ million	% of total	₹ million	% of total
Rupee loans	1,222,669.1	94.0	1,561,532.2	97.4	1,829,831.5	96.7
Short-term loans	61,778.7	4.7	24,161.1	1.5	23,961.8	1.3
Foreign currency loans	3,572.6	0.3	3,383.4	0.2	3,016.3	0.2
Others(1)	12,697.8	1.0	14,589.3	0.9	35,502.8	1.8
Total	**1,300,718.2**	**100.0**	**1,603,666.0**	**100**	**1,892,312.4**	**100**

(1) Others include equipment leasing, buyer's line of credit, loans to equipment manufacturers, bonds and interest accrued and due.

The following table sets forth certain information relating to the Issuer's total disbursements in the periods indicated:

Particulars	Fiscal					
	2012		2013		2014	
	₹ million	% of total	₹ million	% of total	₹ million	% of total
Term loans	328,533.0	82.5	417,127.0	92.4	438,599.0	93.0
Short-term loans	69,507.0	16.5	31,740.0	7.0	27,668.0	5.9
Others(1)	146.0	—	2,645.0	0.6	5,537.0	1.1
Total	**398,186.0**	**100.0**	**451,512.0**	**100.0**	**471,624.0**	**100.0**
R —APDRP	16,000.0	—	12,175.0	—	6,399.0	—
Grand -Total	**414,186.0**	**—**	**463,687.0**	**—**	**478,023.0**	**—**

(1) Others include studies, buyer's line of credit, loans against receivables, computerisation, etc.

Rupee Term Loans

Rupee term loans accounted for 94.0 per cent., 97.4 per cent. and 96.7 per cent. of the Issuer's total loan assets as of 31 March 2012, 2013 and 2014, respectively. The Issuer generally disburses funds either directly to a supplier of project equipment or services or by way of a reimbursement to the borrower against satisfactory proof of eligible expenditure on the relevant project, or through the trust and retention account.

The Issuer generally implements security and quasi-security arrangements in relation to its Rupee term loans. The Issuer's Rupee term loan financings are generally secured in the case of public sector clients, including state utilities, either through a charge on the project assets or by a state government guarantee, or both. In addition to such security or guarantee, most of the Issuer's loans to central and state sector borrowers provide for an escrow mechanism. For private sector clients, the Issuer's term loan financings are secured through, among other things, a first priority *pari passu* charge on the relevant project assets, collaterals such as pledges of shares held by promoters and/or personal or corporate guarantees and trust and retention account arrangements. For further information, see "*Description of the Issuer — Security Risk*".

Interest rates on Rupee term loans are notified to the borrower from time to time. Specific interest rates may be offered to certain borrowers based on the merit of the borrower and the relevant project. Typically, there is an option to select interest rates with a reset option after every three years or ten years. The Issuer believes that its comprehensive credit appraisal and project monitoring process, and its ability to manage the security and repayment profiles of its loan assets have resulted in strong collection and recovery.

Transitional loans. The Issuer provides transitional financing to state sector distribution companies in specified states to meet any temporary liquidity shortfall they may experience due to various reasons such as non-adjustment of fuel surcharge, inadequate GoI support, cash/revenue gap, insufficient capacity addition and purchase of expensive power so as to provide the distribution companies with an opportunity to resolve its liquidity position over a specified period. The Issuer also provides financial support to newly formed power generating companies, transmission companies and distribution companies incorporated out of bifurcation or reorganisation of a state in order to meet any liquidity shortfall experienced by such entities during their initial years due to various reasons such as inadequate cash flow, immediate payment requirements for purchase of fuel or power, meeting other revenue expenditure for the running of the plant, transmission network or distribution network.

Debt refinancing scheme. Under this scheme, the Issuer assists borrowers who have borrowed funds from other lending institutions at a higher rate of interest to refinance their loans at a lower interest rate. The refinancing facility is available only for commissioned projects.

Funding of Regulatory Assets. The Issuer provides loans to distribution companies for the purposes of funding regulatory assets. In order to be awarded a loan under this facility, the borrower needs to provide state government guarantee and must have a business plan in place. Furthermore, SERC must specify certain conditions such as time bound recovery plan, recovery of carrying cost of the regulatory assets, among others.

Corporate loans. The Issuer provides corporate loans to the majority of entities in the power sector, whether government or private, for the purposes of equity infusion into new power projects or for the acquisition of existing power projects including generation, transmission and distribution projects.

Loans to grid connected solar PV power generation projects. The Issuer provides loans to grid connected solar PV power generation projects that have been approved by the MNRE.

Short-term Loans

The Issuer provides short-term loan finance to borrowers to meet their immediate funding requirements. Short-term loans accounted for 4.7 per cent., 1.5 per cent. and 1.3 per cent. of the Issuer's total loan assets as of 31 March 2012, 2013 and 2014, respectively. These loans are Rupee-denominated and primarily relate to the purchase of fuel for power plants; the purchase of consumables and essential spares; emergency procurement/works for generation plants and transmission and distribution networks in the nature of repair and maintenance works; and the purchase of power. The Issuer also extends short-term loans against receivables from distribution companies to transmission companies on account of wheeling/transmission charges.

The Issuer also provides short term loans of up to one year and medium term loans of more than one year and up to five years to equipment and material manufacturers who have been awarded orders for executing contracts in power projects in India by power utilities. The financial assistance must be utilised to meet the cost of equipment and other expenses covered under the contract.

Foreign Currency Loans

The Issuer sanctions foreign currency loans based on the capital expenditure requirements of the relevant project, subject to the availability of foreign currency for lending. The Issuer provides foreign currency loans to power sector projects for end uses that are permitted under applicable RBI regulations relating to ECBs. Foreign currency loans represented 0.3 per cent., 0.2 per cent. and 0.2 per cent. of the Issuer's total loan assets as of 31 March 2012, 2013 and 2014, respectively.

The interest rates offered for the Issuer's foreign currency loans are based on six months U.S. dollar LIBOR or LIBOR in any other applicable foreign currency. The fixed rate margin over the relevant LIBOR is generally reset at the end of every five years.

The Issuer's foreign currency loans are generally secured by, among other securities, a first priority *pari passu* charge on the relevant project assets, collaterals such as pledges of shares held by promoters and/or personal or corporate guarantees.

Other Fund Based Financial Assistance

The Issuer's product portfolio includes providing a comprehensive range of other fund based financial assistance, including equipment lease financing, buyers' lines of credit and loans to equipment manufacturers. These other fund based financial assistance represented, in the aggregate, 1.0 per cent., 0.9 per cent. and 1.8 per cent. of the Issuer's total loan assets as of 31 March 2012, 2013 and 2014, respectively.

Equipment lease financing. The Issuer provides lease financing to fund the purchase of major capital equipment and machinery essential for power sector projects and associated infrastructure projects. Equipment lease financing is extended to various core power sector projects, renewable energy projects, as well as associated infrastructure development projects. Equipment lease financing may be provided for up to the entire cost of the relevant equipment.

Buyers' line of credit. The Issuer provides non-revolving Rupee lines of credit for power sector projects in connection with purchase of machinery, equipment and other capital goods (including accessories and spare parts) on a deferred payment basis.

Bill discounting scheme. The Issuer operates a bill discounting scheme which enables equipment manufacturers to sell their equipment, machinery, turnkey projects and capital goods (including accessories and spares supplied along with the machinery to the extent deemed reasonable) on deferred payment terms to power sector projects.

Non Fund Based

The Issuer also provides non-fund based assistance including default payment guarantees and letters of comfort.

Deferred Payment Guarantees. The Issuer issues guarantees on behalf of certain projects to guarantee their payment obligations for the debt availed for power sector projects. As of 31 March 2014, default payment guarantees issued by the Issuer included U.S.$4.14 million in foreign currency guarantees and ₹2,992 million Rupee denominated guarantees.

Letters of Comfort. The Issuer provides letters of comfort against its sanctioned term loans to enable borrowers to establish a letter of credit with their banks. The letter of comfort is issued only in cases where it is a pre-requisite for EPC contracts or equipment supply contracts of projects financed by the Issuer. The letter of comfort is issued after all other pre-disbursement conditions have been complied with. As of 31 March 2014, the Issuer had outstanding letters of comfort aggregating ₹22,750 million.

Projects Funded

The Issuer's project financing activities have been focused primarily on thermal and hydro generation projects, including financing of renovation and modernisation of existing thermal and hydro electric plants. Transmission and distribution projects financed by the Issuer include system improvements and projects involving provision of shunt capacitors and meters. The Issuer also focuses on the promotion and development of other energy sources, including alternate and renewable fuels.

As of 31 March 2014, 77 per cent., 6 per cent., 4 per cent. and 13 per cent. of the Issuer's loan assets related to power generation projects, transmission projects, distribution projects and others (including transitional finance, computerisation, funding of regulatory assets, equipment manufacturer loan, loan against receivables, short term loans, buyer lines of credit, etc.), respectively.

The Issuer has strategically expanded its focus areas to include projects that represent forward and backward linkages to the core power sector projects, including the procurement of capital equipment for the power sector, fuel sources for power generation projects and related infrastructure development, as well as power trading initiatives.

The following table provides state-wise information relating to the Issuer's loan assets as of 31 March 2014:

S. No.	Name of state	Net Outstanding
		(₹ million)
1	Andhra Pradesh	184,496.0
2	Arunachal Pradesh	15,955.2
3	Assam	3,335.1
4	Bihar	31,761.5
5	Chattisgarh	155,926.2
6	Delhi	112,316.1
7	Goa	656.7
8	Gujarat	20,880.1
9	Haryana	125,752.4
10	Himachal Pradesh	37,740.8
11	Jammu & Kashmir	22,165.9
12	Jharkhand	524.2
13	Karnataka	61,727.4
14	Kerala	1,885.1
15	Madhya Pradesh	136,045.5
16	Maharashtra	257,301.7
17	Meghalaya	2,335.2
18	Nagaland	104.6
19	Orissa	24,075.3
20	Punjab	14,486.7
21	Rajasthan	189,450.7
22	Sikkim	16,654.0
23	Tamilnadu	159,178.9
24	Tripura	14,645.8
25	Uttar Pradesh	143,430.0
26	Uttarakhand	32,300.1
27	West Bengal	127,181.2
	Grand Total	**1,892,312.4**

The following table sets forth certain information relating to the Issuer's loan assets as of the dates indicated, presented according to the type of project:

Particulars	As of 31 March					
	2012		2013		2014	
	₹ million	**% of total**	**₹ million**	**% of total**	**₹ million**	**% of total**
Generation						
- Thermal	781,027.8	60.1	967,162.0	60.3	1,122,080.1	59.3
- Hydro	149,372.3	11.5	150,466.3	9.4	174,105.2	9.2
- Wind	3,038.1	0.2	2,850.7	0.2	3,671.1	0.2
- Solar	575.3	0.0	3,383.1	0.2	5,700.6	0.3
Corporate term loan	100,000.0	7.7	101,869.8	6.4	110,630.5	5.8
Renovation and modernisation (generation)						
- Thermal generation	28,842.4	2.2	30,529.0	1.9	32,181.3	1.7
- Hydro generation	4,015.5	0.3	3,626.4	0.2	4,000.4	0.2
Transmission (including R&M)	99,215.5	7.7	110,888.7	6.9	118,220.1	6.2
Distribution (including shunt capacitor and metering)	56,665.9	4.4	61,440.9	3.8	69,854.1	3.7
Short-term loans	61,771.5	4.7	24,161.0	1.5	23,953.8	1.3
Transitional finance	0.0	0.0	128,180.0	8.0	201,962.7	10.7
Equipment manufacturing loan	9,547.7	0.7	9,136.2	0.6	10,583.4	0.6
Others(1)	6,646.3	0.5	9,971.9	0.6	15,369.1	0.8
Total	**1,300,718.3**	**100.0**	**1,603,666.0**	**100.0**	**1,892,312.4**	**100.0**

(1) Others includes buyers' lines of credit, renewable energy (biomass and bagasse), computerisation and loans against receivables.

The following table sets forth certain information relating to loans disbursed in the periods indicated, presented according to project type:

Particulars	Fiscal					
	2012		2013		2014	
	₹ million	**% of total**	**₹ million**	**% of total**	**₹ million**	**% of total**
Generation						
- Thermal	223,160.0	56	227,436.0	50	263,200.0	56
- Hydro	12,770.0	3	17,655.0	4	39,813.0	8
- Solar	270.0	—	2,906.0	1	2,630.0	1
- Bagasse & Biomass	—	—	1,260.0	—	623.0	—
- Wind	0.0	0.0	0.0	0.0	951.0	0.0
Corporate term loan	35,000.0	9	1,870.0	—	4,077.0	1
Renovation and modernisation (generation)						
- Thermal generation	3,450.0	1	4,624.0	1	4,275.0	1
- Hydro generation	330.0	—	71.0	—	830.0	—
Transmission (including R&M transmission)	32,700.0	8	20,328.0	5	20,462.0	4
Distribution (including shunt capacitor and metering)	16,670.0	4	12,647.0	3	9,931.0	2
Counter part funding for R-APDRP	0.0	0.0	150.0	—	7,093.0	2
Short-term loans	69,500.0	17	31,197.0	7	26,780.0	6
Equipment manufacturing loan	1,660.0	1	0.0	0.0	309.0	—
Transitional finance	0.0	0.0	128,180.0	28	73,405.0	16
Regulatory asset	0.0	0.0	0.0	0.0	11,000.0	2
Others(1)	2,670.0	1	3,188.0	1	6,244.0	1
Sub - Total	**398,180.0**	**100**	**451,512.0**	**100**	**471,623.0**	**100**
R-APDRP Part-A	2,490.0	16	2,824.0	23	4,270.0	67
R-APDRP Part-B	12,040.0	75	8,242.0	68	2,095.0	33
R-APDRP Part-A SCADA	1,470.0	9	1,109.0	9	34.0	—
Sub - Total	**16,000.0**	**100**	**12,175.0**	**100**	**6,399**	**100**
Total	**414,180.0**		**463,687.0**		**478,022.0**	

(1) Others includes studies, buyers' lines of credit, loans against receivables, computerisation, etc.

The following table sets forth certain information relating to the Issuer's loan sanctions pending disbursement (net of any sanctions cancelled) as of 31 March 2014, presented according to project type:

Particulars	As of 31 March 2014
	(₹ million)
Generation	
Thermal	965,000
Hydro-electric	178,610
Wind, solar, bagasse and biomass	10,850
Renovation and modernisation of thermal power stations	21,770
R-APRDP (counter party funding to confirm)	41,880
Renovation and upgrading of hydro power projects	6,820
Transmission	185,870
Distribution	70,840
Transitional finance	29,230
Short term loan	24,100
Others(1)	25,390
Total	**1,560,360**

(1) Others includes buyers' lines of credit, equipment manufacturing loans, studies, purchase of power through PXI, computerisation, funding of regulatory assets, loans against receivables and others.

The following table sets forth information relating to the Issuer's top ten borrowers (primarily generation companies) in terms of loans outstanding as of 31 March 2014:

Borrower	Loans outstanding	% of total outstanding loans as of 31 March 2014
	(₹ in million, except percentages)	
Borrower 1	142,331.2	7.5
Borrower 2	121,031.4	6.4
Borrower 3	93,781.4	5.0
Borrower 4	91,090.7	4.8
Borrower 5	88,134.0	4.7
Borrower 6	81,128.3	4.3
Borrower 7	66,446.9	3.5
Borrower 8	61,348.9	3.2
Borrower 9	58,198.8	3.1
Borrower 10	57,558.1	3.0
Total	**861,049.7**	**45.5**

Thermal generation projects. The Issuer provides finance for thermal energy generation projects in the public and private sector. Such projects include coal and gas based power plants.

Hydro generation projects. The Issuer provides finance for hydro generation projects in the public and private sector. This facilitates an optimal mix of thermal and hydro projects in its loan asset portfolio. In this regard, the Issuer has extended loan repayment periods of state sector loans for hydro projects to 20 years, effectively increasing the loan tenor to 25-26 years.

Renewable energy projects. The Issuer provides finance to various public and private sector renewable energy generation projects, including solar, wind, biomass and small hydro projects.

Renovation, modernisation and life-extension scheme. The Issuer provides finance for renovation, modernisation and life-extension projects for old thermal and hydro power plants.

Transmission projects and schemes. The Issuer provides financing assistance to several kinds of power transmission projects, including transmission and sub-transmission schemes, power evacuation lines and transmission links. Transmission projects and schemes funded by the Issuer involve the transmission of power within various states and from one region in India to another, assistance in the distribution of power within a particular state and transmission loss reduction schemes. These schemes include construction of new transmission lines, reinforcement of existing transmission lines, new substations, augmentation of transformer capacities of existing substations, replacement of old and obsolete equipment, and bay extensions.

Distribution, capacitor and metering schemes. The Issuer has extended financial assistance to various projects and entities that establish and upgrade sub-stations and distribution networks in various distribution circles, including the instalment of capacitors and meters to reduce losses and improve revenue generation, and to improve the quality and reliability of power supply to consumers.

Sector-wise Loan Portfolio

The Issuer provides financial assistance to the public sector, which includes central, state and joint (i.e., companies that have both state and central sector participation) sector; and to private sector projects.

The following table sets forth certain information relating to the Issuer's total loan assets as of the dates indicated, presented according to sector:

	As of 31 March					
Particulars	**2012**		**2013**		**2014**	
	₹ million	**% of total**	**₹ million**	**% of total**	**₹ million**	**% of total**
A. Public sector comprising:						
(i) State sector	814,855.0	63	1,050,783.0	66	1,276,558.2	67
(ii) Central sector	246,914.7	19	245,699.7	15	204,333.4	11
(iii) Joint sector	93,015.9	7	108,687.3	7	124,729.0	7
B. Private sector	145,932.6	11	198,496.0	12	286,691.8	15
Total	**1,300,718.2**	**100.0**	**1,603,666.0**	**100.00**	**1,892,312.4**	**100.00**

The following table sets forth certain information relating to disbursements made in the periods indicated, presented according to sector:

	Fiscal					
Particulars	**2012**		**2013**		**2014**	
	₹ million	**% of total**	**₹ million**	**% of total**	**₹ million**	**% of total**
A. Public sector comprising:						
(i) State sector	262,010.9	63.3	359,989.2	77.6	334,310.8	69.9
(ii) Central sector	53,929.5	13.0	15,769.6	3.4	9,188.3	1.9
(iii) Joint sector	16,203.3	3.9	20,621.6	4.4	21,936.9	4.6
B. Private sector	82,050.5	19.8	67,306.3	14.5	112,586.3	23.6
Total	**414,194.2**	**100.0**	**463,686.7**	**100.0**	**478,022.3**	**100.0**

Institutional Development Role and GoI Programmes

The GoI and various state governments have undertaken various programmes and initiatives for the reform and restructuring of the power sector in India to ensure the adequate supply of electricity at reasonable rates, to encourage private sector participation and to make the Indian power sector self-sustaining and commercially viable. These institutional, structural and procedural reforms are aimed at achieving operational and commercial efficiency and improved viability of state power utilities; improving delivery of services and achieving cost effectiveness through technical, managerial and administrative restructuring of utilities; creating an environment that will attract private capital, both domestic and foreign, to supplement public sector investment; operating state power utilities in a manner that enables them to generate sufficient returns to meet operational and investment requirements; and achieving energy conservation through integrated resource planning, demand side management and minimising waste.

The Issuer was established as an integral part of, and continues to play a strategic role in, the GoI's initiatives for the development of the power sector in India. The Issuer works closely with GoI instrumentalities, state governments and power sector utilities, other power sector intermediaries and private sector clients for the development and implementation of policies and structural and procedural reforms for the power sector in India. In addition, the Issuer is involved in various GoI programmes for the power sector, including acting as a nodal agency for the UMPP and the R-APDRP and as a bid process coordinator for the ITP scheme.

Restructured Accelerated Power Development and Reform Programme (R-APDRP)

In July 2008, the MoP launched the Restructured Accelerated Power Development and Reforms Programme (**R-APDRP**) whose aims included the gathering of base line data, the reduction of AT&C losses through the strengthening and upgrading of sub transmission and distribution network and the adoption of IT based energy accounting, audit and customer service. The R-APDRP project areas are towns and cities with a population of more than 30,000 (10,000 in special category states) as per the 2001 census. In rural areas, where the load of the required power supply is more as compared to the capacity of transmission lines to supply such power, "feeder segregation" methods are used to ensure that proper supply loads are channeled through the transmission lines. Such areas where "feeder segregation" methods are used may also be included in the project areas. Projects under the scheme will be divided into three parts. Part A will include the gathering of baseline data and the establishment of IT applications for energy accounting or auditing and IT based consumer service centres. Part B will include regular distribution strengthening projects and will cover system improvement, strengthening and augmentation. Part C aims to improve the capacity of utility personnel and the development of franchises. The programme was started in the 11th five year plan and will be continued in the 12th and 13th five year plan (as per the MoP order dated 8 July 2013).

The R-APDRP scheme budget is ₹515,770 million out of which ₹100,000 million is for Part A activities, ₹400,000 million is for Part B activities, ₹11,770 million is for enabling activities to be implemented by the MoP under Part C and ₹4,000 million is to be used as an incentive for utility staff in the project areas to gather baseline data and to achieve targeted reduction in AT&C loss.

The Issuer has been designated as the nodal agency to establish the R-APDRP scheme and will coordinate with agencies involved such as the MoP, the R-APDRP Steering Committee, CEA, NTPC, PGCIL, other statutory bodies (if required) and various consultants for the efficient completion of projects, with the aim of assisting the utilities to achieve their loss reduction targets. A Steering Committee under the chairmanship of the Secretary (Power), GoI will sanction projects and monitor the implementation of the scheme.

The Issuer has appointed a process consultant to assist it in the establishment of the R-APDRP scheme. It has also empanelled ITCs and ITIAs and has formulated a request for proposal (**RfP**) for ITC and a model RfP for ITIA. It has also empanelled SDCs, SIAs and has formulated an RfP for SDC and a model RfP for SIA. In order to monitor the implementation of the R-APDRP scheme, a dedicated web-portal has been developed by an IT advisor in consultation with the Issuer. Also third party independent evaluation agencies in the field of energy accounting and evaluation agencies in the field of IT have been appointed for all states. Projects have been sanctioned for all eligible towns under the R-APDRP scheme Parts A and B.

Sanctions and disbursements under the R-APDRP scheme as of 31 March 2014 are as follows:

Sanctions	₹69,500 million	₹311,400 million
Disbursements	₹28,860 million	₹44,750 million

The R-APDRP scheme has been implemented in around 1,412 towns in India. The programme aims to reduce the AT&C losses of the distribution utilities to below 15 per cent., thus improving the financial health of the power sector in the state. Since the Issuer has a major loan portfolio in the state power sector, the improvement of the performance and the financial health of a state power sector will enhance the quality of the Issuer's loan assets. The Part B distribution strengthening projects under the R-APDRP scheme envisages funding of 25 per cent. of the project cost from the GoI and the balance from financial institutions and banks such as the Issuer. There is also a provision for the payment of a nodal agency fee to the Issuer for services rendered for the establishment of the scheme.

Ultra Mega Power Projects (UMPP)

The GoI has introduced the UMPP programme with the objective of developing large capacity power projects in India. The Issuer has been designated to act as a nodal agency by the GoI for the development of UMPPs, each with a contracted capacity of 4,000MW or above. These UMPPs involve economies of scale based on large generation capacities based at a single location, utilise super critical technology to reduce emissions and potentially have lower tariff costs for electricity generated as a result of these factors and through international competitive bidding processes adopted for the selection of developers.

The CEA is the technical partner for the development of these UMPPs, while the MoP is involved as a facilitator. As of 31 March 2014, 16 UMPPs have been identified, located in Madhya Pradesh (one), Gujarat (two), Chhattisgarh (one), Karnataka (one), Maharashtra (one), Andhra Pradesh (two), Jharkhand (two), Tamil Nadu (two), Odisha (three) and Bihar (one). As of the date of this Offering Circular, the Issuer had incorporated a total of 13 wholly-owned SPVs for these UMPPs. In relation to such SPVs, the Issuer, in conjunction with the MoP and the CEA, will undertake preliminary site investigations and obtain fuel linkages and appropriate regulatory and other approvals (including for land, water and for power selling) and environment and forest clearances necessary to conduct the bidding process for these projects. Four of these SPVs have been transferred to successful bidders, as detailed in the below table. The remaining SPVs are proposed to be transferred in due course to successful bidder(s) selected through a tariff based international competitive bidding process in accordance with the guidelines for procurement of power from thermal power stations set up on a design, build, finance, operate and transfer basis. Two additional SPVs have been incorporated for the Odisha and Cheyyur UMPPs, which would hold the land for power station and coal blocks and would be transferred to the procurers of power from these projects. The successful bidders are then expected to develop and implement these projects.

Out of the 13 SPVs, the following four SPVs have been transferred to successful bidders:

Name of SPV	UMPPs	Transferee	Date of Transfer
Coastal Gujarat Power Limited	Mundra, Gujarat	Tata Power Company Limited	22 April 2007
Sasan Power Limited.	Sasan, Madhya Pradesh	Reliance Power Limited	7 August 2007
Coastal Andhra Power Limited	Krishnapatnam, Andhra Pradesh	Reliance Power Limited	29 January 2008
Jharkhand Integrated Power Limited	Tilaiya, Jharkhand	Reliance Power Limited	7 August 2009

The Issuer is in the process of conducting site studies and obtaining applicable regulatory and other clearances with respect to the remaining UMPPs.

As of the date of this Offering Circular, the bid process for selection of the concessionaire for the Odisha and Cheyyur UMPPs is underway and the Issuer is in the process of conducting site studies and obtaining the applicable regulatory and other clearances with respect to the remaining UMPPs.

Independent Transmission Projects (ITP)

In April 2006, the MoP introduced a tariff based competitive bidding process for ITPs, similar to that followed for UMPPs, for the development of transmission systems through private sector participation. The Issuer and its subsidiary PFCCL have been nominated as bid process coordinator by the MoP for the development of certain ITPs.

As of the date of this Offering Circular, 12 SPVs have been incorporated by the Issuer and its subsidiary PFCCL to develop ITPs. These SPVs undertake preliminary survey work, identify transmission routes, prepare survey reports, initiate the processes of land acquisition and forest clearances if applicable, and are also responsible for conducting the bid process. PFCCL earns revenue from its involvement with ITP projects in a manner similar to the UMPPs. Out of the 12 SPVs created, Bokaro-Kodarma Maithon Transmission Company Limited was liquidated in December 2010 and 8 SPVs have been transferred to the successful bidders on the dates indicated below:

S. No	Name of SPV	Successful Bidder	Date of Transfer
1 . . .	East North Interconnection Company Limited	Sterlite Transmission Projects Private Limited	31 March 2010
2 . . .	Jabalpur Transmission Company Limited	Sterlite Transmission Projects Private Limited	31 March 2011
3 . . .	Bhopal Dhule Transmission Company Limited	Sterlite Transmission Projects Private Limited	31 March 2011
4 . . .	Nagapattinam Madhugiri Transmission Company Limited	Power Grid Corporation of India Limited	29 March 2012
5 . . .	Purulia & Kharagpur Transmission Company Limited	Sterlite Grid Limited	13 November 2013
6 . . .	Patran Transmission Company Limited	Techno and Electric Engineering Company Limited	9 December 2013
7 . . .	Darbhanga - Motihari Transmission Company Limited	Essel Infraprojects Limited	10 December 2013
8 . . .	RAPP Transmission Company Limited	Sterlite Grid Limited	12 March 2014

The LOA for DGEN Transmission Company Limited was issued on 19 May 2014 to Instalaciones Inabensa, S.A., Spain. The bid process for the remaining SPVs namely, Ballabhgarh-GN Transmission Company Limited and as of the date of this Offering Circular, Tanda Transmission Company Limited is on hold on the advice of central electricity authority and the MoP.

Accelerated Generation and Supply Programme (AG&SP)

In fiscal 1998, the GoI introduced the AG&SP scheme, which provided for interest subsidies for projects involving the renovation, modernisation and life extension of old thermal and hydro plants, the completion of on-going generation projects, the construction of transmission links, system improvements and grants for various studies. In fiscal 2002, the scheme was modified to restrict it to renovation, modernisation and life extension schemes and generation projects.

The AG&SP scheme was an MoP scheme that was overseen and operated by the Issuer. The MoP subsidised the Issuer's normal lending rates on loans to SPUs. The subsidy was paid in advance directly to the Issuer out of the GoI's budget on the basis of disbursements made during the period. The AG&SP scheme ended in April 2007 and no new sanctions have been made since then under the scheme.

Consultancy Services

In addition to the Issuer's lending activities, the Issuer, through its wholly owned subsidiary PFCCL, provides various technical consultancy and advisory services for power sector projects. PFCCL provides consultancy and other fee-based services to state power utilities, power distribution licensees, IPPs, public sector undertakings and SERCs. The Issuer also provides fee-based services for various GoI programmes, including acting as a nodal agency for UMPP and R-APDRP projects and its subsidiary PFCCL acts as a bid process coordinator for ITP scheme projects. Other consultancy and advisory services include: bid process coordination for power procurement by distribution licensees through a tariff based competitive bidding process; renewable and non-conventional energy schemes; coal block joint ventures and selection of developers for coal blocks and linked power projects; preparation of detailed project reports and project management consultancy for distribution system improvement schemes, including those covered under the R-APDRP scheme; project advisory services including the selection of an EPC contractor; advisory services relating to policy reform, restructuring and regulatory aspects; and assistance in relation to capacity building and human resource development.

The Issuer also intends to focus on acquisition advisory services for power sector projects, including the identification of target projects and potential acquirers for acquisitions and consolidation opportunities, and also provide technical and commercial appraisals of target projects.

Resource Mobilisation

The Issuer's primary sources of funds include equity capital, internal resources and domestic and foreign borrowings. The Issuer's borrowings reflect various sources, maturities and currencies, and include bonds, term loans, and commercial paper. Historically, most of the Issuer's borrowings have been on an unsecured basis.

The following table sets forth certain information relating to the Issuer's Rupee-denominated and foreign currency denominated borrowings as of the respective dates indicated:

	As of 31 March					
	2012		2013		2014	
	₹ million	% of total	₹ million	% of total	₹ million	% of total
Rupee	1,045,355.9	94.9	1,311,589.6	94.0	1,502,892.2	94.4
Foreign currency[(1)]	55,903.2	5.1	84,237.5	6.0	89,258.4	5.6
Total	**1,101,259.1**	**100.0**	**1,395,827.1**	**100.0**	**1,592,150.6**	**100.0**

(1) The Rupee equivalents of foreign currency borrowings are based on the bank selling rate at the end of the relevant fiscal period.

Rupee resources

The Issuer's primary sources of funds are from Rupee-denominated bonds and term loans taken in India.

A significant percentage of the Issuer's Rupee-denominated borrowings are raised through the issuance of privately placed bonds in India. As of 31 March 2014, the Issuer had outstanding borrowings aggregating ₹1,265,047.3 million and ₹237,844.9 million in the form of term loans from Indian banks and financial institutions. In addition, the Issuer is classified as an IFC, which enables it to further diversify its borrowings through the issuance of Rupee-denominated infrastructure bonds that offer certain tax benefits to bondholders.

The following table sets forth certain information relating to the Issuer's Rupee resources as of the dates indicated:

	As of 31 March		
Particulars	**2012**	**2013**	**2014**
		₹ million	
Non-taxable bonds[1]	50,000.0	62,751.2	112,751.1
Taxable bonds[2]	789,198.9	990,590.7	1,152,296.2
Term loans from Indian banks and FIs	206,157.0	258,247.7	237,844.9
Interest subsidy from the GoI	3,762.1	1,457.8	1,238.7
Total	**1,049,118.0**	**1,313,047.4**	**1,504,130.9**

(1) Bonds that offer certain tax benefits to the bondholders.

(2) Bonds that do not offer any tax benefits to the bondholders.

Foreign currency resources

The Issuer has in the past raised foreign currency funds through syndicated loans, loans from multilateral agencies and other sources such as FCNR(B) loans, which are foreign currency loans for specific end uses (such as infrastructure) and at interest rates linked to LIBOR. The following table sets forth certain information relating to the Issuer's foreign currency borrowings by source, as of the dates indicated:

	As of 31 March		
	2012	**2013**	**2014**
		₹ million	
ADB New Loan	1,079	1,108	1,157
Credit National	974	914	995
World Bank	10	4	—
KfW - Portion I	609	594	674
KfW - Portion II	126	94	73
FCNR(B) Loans	2,061	2,192	—
USPP	9,275	9,864	10,888
Syndicated Bank Loan VII	15,459	16,440	18,147
Syndicated Bank Loan VIII	12,840	12,206	12,599
Syndicated Bank Loan IX	13,470	13,421	14,480
Syndicated Bank Loan XII	—	13,700	15,123
Syndicated Bank Loan XIII	—	13,700	15,123
Total	**55,903**	**84,237**	**89,259**

As an IFC, the Issuer is also eligible to raise, under the automatic route (without the prior approval of the RBI), ECBs of up to U.S.$750 million in each fiscal year, subject to the aggregate outstanding ECBs not exceeding 75 per cent. of the Issuer's owned funds including outstanding foreign currency borrowings.

Credit Ratings

CRISIL, ICRA and CARE have issued the Issuer credit ratings for its long-term domestic borrowings and its short-term borrowings. International credit rating agencies Moody's, Fitch and Standard & Poor's have also issued the Issuer long-term foreign currency ratings.

Risk Management

The Issuer has developed various risk management policies and procedures, with particular emphasis on actively managing and controlling its risk exposures. These processes include a detailed appraisal methodology, identification of risks and suitable structuring of credit risk mitigation measures.

The Issuer has set up a Risk Management Committee to monitor various risks, examine risk management policies and practices and initiate action for mitigation of risks relating to the Issuer's operations.

The Issuer has developed an integrated enterprise-wide risk management policy. The Risk Management Committee has set up a Risk Management Compliance Committee and a separate unit called the CRA unit to monitor certain risks identified by the Issuer.

As a financial institution, the Issuer is primarily exposed to the following types of risk: credit risk, security risk, liquidity risk, interest rate risk, foreign currency risk and operational risk, each described in further detail below.

Credit Risk

Credit risk involves the risk of loss arising from the diminution in credit quality of a borrower along with the risk that the borrower will default on contractual repayments under a loan or an advance. The Issuer follows a systematic institutional and project appraisal process to assess and mitigate credit risk. These processes include a detailed appraisal methodology, identification of risks and suitable structuring and credit risk mitigation measures. The Issuer uses a wide range of quantitative as well as qualitative parameters as a part of the appraisal process to make a sound assessment of the extent of underlying credit risk in a project. The Issuer evaluates the credit quality of the borrowers by assigning risk weightings on the basis of the various financial and non-financial parameters. The Issuer's lending policies evaluate borrowers' eligibility criteria with an emphasis on financial and operational strength, capability and competence. For further information, see "*Description of the Issuer — Project and Entity Appraisal Process*".

Although the Issuer encourages certain schemes through differential lending rates, the eligibility criteria and the Issuer's funding decision is guided by the merit of the project and no funds are pre-allocated. In addition, the Issuer has adopted its own prudential norms that provide guidance on aspects of its financial operations including asset classification, provisioning, income recognition, asset concentration and investment limits.

The Issuer's lending policies are set out in its operational policy statement, which is reviewed from time to time to align it with market requirements. In addition, the Issuer places emphasis on funding projects with short lead times as well as on-going projects.

The Issuer lends to projects that satisfy the following criteria:

- soundness from both a technical and a financial perspective with a financial or economic rate of return of not less than 12.0 per cent., other than in certain specific instances, such as projects involving environmental upgrading, meter installation, load dispatch, computerisation and communication, research and development and non-conventional energy projects;

- feasibility, technical soundness and provision of optimal cost solutions for the selected alternative;

- compatibility with integrated power development and expansion plans of the relevant state or region, and of India as a whole;

- compliance with environmental guidelines, standards and conditions;

- receipt of relevant regulatory, environmental and other approvals and clearances; and

- receipt of all inputs required for the implementation and operation of the relevant project and preparation of detailed procurement and implementation plans.

The Issuer evaluates the credit quality of all borrowers by assigning ratings on the basis of various financial and non-financial parameters. In addition, the Issuer assigns an integrated rating (which is a combination of entity rating and project rating) for private sector generation projects. The interest rates, requirement of collateral securities and exposure limits are calculated on the basis of such integrated ratings.

As of the date of this Offering Circular the amount of funding that the Issuer grants to various projects, as a percentage of project costs, is set out below:

SI No.	Projects	Central and State Sector Projects	Private Sector Projects
1. . . .	Studies, Consultancy and Training	100	50
2. . . .	Research & Development	90	50
3. . . .	Capacitors, Energy Meters, Computerisation, Communication and Load Dispatch	90	50
4. . . .	Urban Distribution System	90	50
5. . .	Transmission	90	50
6. . . .	R&M of Transmission & Distribution	90	50
7. . . .	Environmental Upgradation	80	50
8. . . .	R&M/R&U of Generation	80	50
9. . . .	Mini, Micro & Small Hydro Generation Projects	80	50
10. . .	Captive & Co-generation Plants	80	50
11. . .	Non Conventional Energy Source	80	50
12. . .	Medium and Large Hydro Generation	80	25
13. . .	Thermal Generation	80	20
14. . .	Infrastructure Projects with forward/backward linkage to Power Projects	80	20

Notes:

(i) In case of private sector borrowers, the Issuer may also consider certain additional financing or exposure of project costs over and above the percentages specified above in case of non-fund based exposure exclusively, or fund based and non-fund based exposure taken together and or where the Issuer acts as a lead institution and/or based on the integrated rating assigned to the project.

(ii) In any single project, both fund based and non fund based exposure taken shall not exceed 50 per cent. of the project cost.

(iii) For debt refinancing, the exposure limit is 100 per cent. of loan outstanding in case of state or central sector entities, and 50 per cent. to 80 per cent. of loans outstanding for private sector borrowers, based on integrated rating.

(iv) Policy exposure limit for funding energy saving projects is 70 per cent. of the project cost up to ₹250 million and 50.0 per cent. of project cost exceeding ₹250 million.

(v) For financing of projects relating to equipment manufacturing for the power sector, higher debt exposure may be taken up to a maximum of 70.0 per cent. of the project cost (to be decided on a case-by-case basis), where the project cost is up to ₹1,000 million.

(vi) The above extent of financing shall be within the overall exposure limit as per the Issuer's prudential norms.

The Issuer is subject to a number of credit risks; for additional information on the Issuer's credit risk, see "*Investment Considerations — Volatility in interest rates affects the Issuer's lending operations and may result in a decline in the Issuer's net interest income and net interest margin and adversely affect the Issuer's return on assets and profitability.*".

Monitoring of Loans. The success of a business that provides credit and loan products depends on the effective and timely monitoring and supervision of loans granted. The maximum repayment periods for various projects are set out below:

Projects/Schemes	**Maximum Repayment Period**
	(years)
Hydro generation projects	20
Thermal generation projects	15
Studies, consultancy, training, research and development, survey and investigation, communication and computerisation, installation of energy meters for energy audit and billing	5
All other projects and schemes	15

The Issuer has developed a comprehensive project monitoring system following the grant of sanctions and execution of loan documents that monitors and tracks project implementation status and identifies risks where intervention is required to minimise the time and cost overruns and consequent slippages in disbursements. A separate project monitoring unit has been set up to undertake monitor the status of projects based on quarterly progress reports, discussions with the borrowers and/or site engineers during site visits, telephone discussions with relevant officials of the borrowers and other methods. The periodic progress analysis is presented before the Issuer's Board on a quarterly basis. Such reports broadly cover the major areas of concern impacting the project's implementation and withdrawals from the Issuer, major reasons for project delays, age-wise delay analysis, major suppliers and agencies associated with the projects, and the cumulative status of the Issuer's commitments versus disbursements.

For private sector projects, the Issuer typically engages the lender's engineers and financial advisors, which are independent agencies who act on behalf of various lenders and consortium members who provide lenders with periodic reports and information concerning the physical and financial progress status of specific projects based on periodic site visits, visits to borrowers' headquarters, and inspection and review of any relevant documents. The Issuer's project monitoring unit reviews the reports submitted by the lenders' engineers and prepares an exception report broadly covering the physical progress, time and cost overrun estimation and delay analysis. The report is submitted to the Issuer's senior management and Board on a quarterly basis.

Recovery Mechanism. The Issuer's recovery mechanism is characterised by the following features that are intended to ensure timely and efficient recovery from its borrowers: long standing and well established relationship with the borrowers; intensive follow-up; rebate for timely payments; suspension of further disbursements; and sanctions in case of default. The rebate for timely payments is provided to state sector and central sector borrowers.

In instances where there has been a default by a borrower, the Issuer invokes the security and quasi-security arrangements that have been created in relation to its loans, as detailed in "*Description of the Issuer — Security Risk*" below. The Issuer also encourages payments due from its borrowers by offering them a rebate for timely payment. In fiscal 2014, the total rebate the Issuer offered its public sector borrowers was ₹2,059.0 million.

The following table sets forth certain information relating to amounts overdue (loan instalments overdue, together with interest payable thereon) as of the dates indicated as a percentage of the Issuer's total loan assets as of such dates:

	As of 31 March		
Particulars	**2012**	**2013**	**2014**
	₹ million except percentages		
Amounts overdue	2,563.9	5,970.9	13,577.8
Total Loan Assets	1,300,718.2	1,603,666.0	1,892,312.4
Total Loan Assets	0.2%	0.4%	0.7%

Non-Performing Assets

The following table sets forth information relating to the Issuer's NPAs relating to its loan assets as of the dates indicated, by sector:

	As of 31 March					
	2012		**2013**		**2014**	
	₹ million	**% of total**	**₹ million**	**% of total**	**₹ million**	**% of total**
GoI sector[(1)]	0	0.0	0	0.0	0	0.0
Private sector	13,584.7	100.0	11,345.1	100.0	12,277.1	100.0
Total	**13,584.7**	**100.0**	**11,345.1**	**100.0**	**12,277.1**	**100.0**

(1) Includes state, central and joint sectors. As of the dates indicated, the Issuer did not have any NPAs from the central or joint sectors.

As of 31 March 2012, 2013 and 2014, the Issuer had gross NPAs of ₹13,584.7 million, ₹11,345.1 million and ₹12,277.1 million, respectively, which represented 1.04 per cent., 0.71 per cent. and 0.65 per cent. of its total loan assets, respectively, as of such dates.

Security Risk

The Issuer seeks to put in place a number of different security and quasi-security arrangements in relation to the loans that the Issuer extends. In relation to financial assistance extended to public sector entities and projects, the Issuer obtains one or more of the following: (i) a priority claim over the surplus revenue from state power utilities over any loan granted by the relevant state government to other entities; (ii) an irrevocable guarantee from the relevant state governments; (iii) security in the form a charge over the relevant project assets; and (iv) a negative lien from some of its borrowers.

For loans to central and state sector borrowers that do not satisfy certain criteria in terms of credit rating and debt service coverage ratios, the Issuer uses an escrow arrangement as a credit enhancement mechanism pursuant to an escrow agreement (the **Escrow Agreement**). The Escrow Agreement is typically a tripartite agreement entered into by the Issuer, the borrower and the bank designated as escrow agent. Under the terms of the Escrow Agreement, the borrower is required to deposit all of its receivables (from certain centres) into the designated escrow account and the borrower is specifically prohibited from opening any other account for the purpose of collection of revenues without the Issuer's written consent. In the event of a default in payment by the borrower, upon a demand by the Issuer the escrow agent is authorised to pay the amount owed to the Issuer from the monies deposited in the escrow account. In addition, the escrow agent is required to submit monthly bank statements of the escrow account to the Issuer. As of 31 March 2014, 88.31 per cent. of the Issuer's outstanding loans to central and state sector power utilities involve such an escrow mechanism.

In the case of private sector power projects, security is normally obtained through (i) a first priority *pari passu* charge on assets; and (ii) a trust and retention arrangement in relation to all of the cash flows of the project pursuant to a trust and retention account agreement (the **TRA Agreement**). The TRA Agreement is entered into amongst the Issuer, the borrower and a bank designated as the account bank. Under the terms of the TRA Agreement, the cash flows of the project are controlled by the account bank which must deal with the cash flows strictly in accordance with the terms of the TRA Agreement. The TRA Agreement specifies the conditions that must be satisfied, on a periodic basis, before funds from the trust account can be used to meet the relevant expense and the manner in which such payments will be made, including payments by way of debt service to the Issuer throughout the life of the loan. The account bank is not permitted to allow any withdrawal of funds in excess of the approved limits without the prior approval of the Issuer. The TRA Agreement continues to operate until all of the obligations have been indefeasibly and irrevocably paid by the borrower. The trust and retention account is a no lien account. The TRA Agreement also specifies the payment waterfall that would apply upon the occurrence of an event of default or a potential event of default in relation to the loan and which gives priority to the secured lenders.

Eligibility of private sector borrowers is assessed on the basis of various factors such as past performance of the promoters, their experience and their capacity to bring in equity and project soundness. In certain cases, collateral securities such as pledges of equity shares held by the promoters and personal or corporate guarantees are also required.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the Issuer's financial condition. The primary interest rate-related risks that the Issuer faces are from timing differences in the maturity of its fixed rate assets and liabilities. For example, if in an increasing interest rate environment, its fixed rate liabilities mature prior to its fixed rate assets and therefore require the Issuer to incur additional liabilities at a higher interest rate, and re-pricing risk, for example, where there is an adverse mismatch between the re-pricing terms of the Issuer's loan assets and its loan liabilities.

Interest rates are dynamic and dependent on various internal and external factors including cost of borrowing, liquidity in the market, competitors' rates, movement of benchmarks such as AAA bond/GSEC yields and RBI policy changes. The interest rate risk is managed by the analysis of interest rate sensitivity gap statements, the evaluation of earning at risk on change of interest and the creation of assets and liabilities with a mix of fixed and floating interest rates.

The Issuer reviews its lending rates periodically based on prevailing market conditions, borrowing cost, yield, spread, competitors' rates, sanctions and disbursements. The Issuer's incremental Rupee lending interest rates are usually made with either a three year or ten year interest reset clause. In order to manage pre-payments risks, the Issuer's policy as of the date of this Offering Circular is to require a pre-payment premium to be paid by the borrower in case of pre-payment. The interest rate reset dates typically occur at the option of the borrower at three or ten year intervals.

The Issuer has historically, and may in the future, implement interest rate risk management through the contractual terms of its loans, including pricing terms, maturities and pre-payment and re-pricing provisions. In addition, all loan sanction documents specifically entitle the Issuer to vary the interest rate on the undisbursed portion of any loan.

For additional information on the Issuer's interest rate risk, see "*Investment Considerations — Volatility in interest rates affects the Issuer's lending operations and may result in a decline in the Issuer's net interest income and net interest margin and adversely affect the Issuer's return on assets and profitability*".

Liquidity Risk

Liquidity risk is the risk of the Issuer's potential inability to meet its liabilities as they become due. The Issuer faces liquidity risks, which could require the Issuer to raise funds or liquidate assets on unfavourable terms. The Issuer manages its liquidity risk through a mix of strategies, including through forward-looking resource mobilisation based on projected disbursements and maturing obligations.

The Issuer has established an effective asset liability management system and formed an Asset Liability Management Committee (the **ALCO**). The ALCO monitors risks related to liquidity and interest rates and also monitors the implementation of decisions taken in the ALCO meetings. Liquidity risk is monitored through liquidity gap analysis. The asset liability management framework includes periodic analysis of the long-term liquidity profile of asset receipts and debt service obligations. Such analysis is made every month in yearly tranches for the next ten years, and is used for critical decisions regarding the time, volume and maturity profile of the borrowings, creation of new assets and mix of assets and liabilities in terms of time period (short, medium and long-term).

In order to ensure that the Issuer has sufficient funds to meet its commitments, its operational policy statement requires the Issuer to maintain satisfactory levels of liquidity to ensure availability of funds at any time covering up to three months' liquidity requirements. Currently surplus funds are invested by way of short-term deposits with banks and mutual funds. The Issuer has an active policy of managing the maturities of its assets and liabilities.

The following table represents the maturity profile of certain items of assets and liabilities as of 31 March 2014:

Particulars	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**Beyond 2018-19**	**Total**
				(₹ million)			
Rupee Loan Assets (including leasing, WCL and bonds, etc.)	137,491.0	154,957.5	173,768.0	177,113.1	174,242.9	1,068,902	1,886,474.9
Foreign Currency Loan Assets	431.5	456.3	475.6	232.4	219.5	1,662.8	3,478.1
Investments	0.0	0.0	0.0	0.0	0.0	3,521.7	3,521.7
Foreign Currency Liabilities	36,991.0	19,881.5	19,298.8	11,097.3	209.1	1,780.7	89,258.4
Rupee Liabilities (bonds + Rupee term loan + short term loan)	174,253.0	219,015.8	174,394.3	147,050.8	183,220.5	609,016.1	1,506,950.5

Foreign Currency Risk

Foreign currency exchange risk involves exchange rate movements among currencies that may adversely impact the value of foreign currency-denominated assets, liabilities and off-balance sheet arrangements. The Issuer has foreign currency borrowings that could expose it to foreign currency exchange rate risk and the Issuer expects to increase its foreign currency-denominated borrowings in the future.

The Issuer has developed a currency risk management policy to manage risks associated with foreign currency borrowing. The Issuer manages foreign currency risk by lending in foreign currency and through derivative products (such as currency forwards, options, principal swaps, interest rate swaps and forward rate agreements) offered by banks, who are authorised dealers. The Issuer's currency risk management policy lays down the appropriate systems and controls to identify, measure, monitor, report and manage currency risks, including interest rate risk. Some of the important features of the currency risk management policy include benchmarks, hedging ratios, open position limits, and exposure limits with regard to empanelled banks. In addition, foreign exchange exposures are evaluated on a loan-to-loan basis, and the exposure is managed in accordance with the various parameters defined in the currency risk management policy. Every month, the details of foreign currency exposure, open and hedged position are submitted to the Risk Management Committee and such details are submitted every quarter to the Audit Committee and the Board.

The Issuer mitigates exchange and interest rate risks in foreign currency liabilities by lending in foreign currency and entering into hedging transactions such as currency forwards, principal only swaps, options, forward rate agreements and interest rate swaps. As of 31 March 2014, the Issuer had foreign currency borrowings outstanding of U.S.$999.13 million, JPY41,643.20 million and €20.87 million (aggregate equivalent to U.S.$1,432.72 million, or 6 per cent. of the Issuer's total borrowings as of such date). As of 31 March 2014, the Issuer had lent in foreign currency to cover approximately 4.13 per cent. of its foreign currency principal exposure. As of 31 March 2014, an equivalent of U.S.$254.22 million and U.S.$575 million has been hedged for exchange rate risks and interest rate risks, respectively.

Foreign currency liabilities not hedged by a derivative instrument or otherwise as of 31 March 2014 were U.S.$792 million, €21 million and JPY36,807 million. This however does not include partial hedges where only one currency leg has been hedged.

For additional information on the Issuer's foreign currency risk, see "*Investment Considerations — Volatility in foreign exchange and un-hedged foreign currency could adversely affect the Issuer's financial conditions and results of operations.*".

Operational Risk

Operational risks are risks arising from inadequate or failed internal processes, people and systems or from external events. The Issuer has established systems and procedures to reduce operational risk as outlined below:

Operational controls in project finance activities. The Issuer's operational policy statement, operational guidelines and manuals provide a detailed description of the systems and procedures to be followed in the course of appraisal, approval, disbursement and recovery of a loan. Various checks and control measures have been built in for the timely review of operating activities and the monitoring of any gaps in the same. A significant proportion of the activities are subject to regular monitoring and auditing, including loan sanctions, disbursements and recovery. In addition, many important activities are monitored on a periodic basis.

Operational controls in treasury activities. The Issuer's operational policy statement and manual for the deployment of surplus funds provide a description of operations to be followed, with suitable exposure and counterparty limits. Compliance with the Issuer's guidelines is monitored through internal control and a well-developed audit system including external and internal audits.

Legal risk. Legal risk arises from the uncertainty of the enforceability of contracts relating to the obligations of the Issuer's borrowers. This could be on account of delays in the enforcement process or difficulty in the applicability of contractual obligations. The Issuer seeks to minimise legal risk through legal documentation that is drafted to protect its interests to the greatest extent possible.

Project and Entity Appraisal Process

The Issuer's lending policies are set out in its operational policy statement. The Issuer uses a wide range of quantitative as well as qualitative parameters as a part of the appraisal process to make a sound assessment of the extent of underlying credit risk in a project. The Issuer evaluates the credit quality of borrowers by assigning risk weightings on the basis of various financial and non-financial parameters. The Issuer's lending policies evaluate borrowers' eligibility criteria with an emphasis on financial and operational strength, capability and competence.

Project Appraisal

The Issuer follows a separate project appraisal process for private and state/central sector entities, which primarily involves a technical appraisal and a financial feasibility appraisal of the project.

Private sector projects. The appraisal process for the private sector involves two stages. Initially a preliminary appraisal is carried out to ascertain the status of the progress of the project. In the second stage, a detailed appraisal is carried out for shortlisted projects on the basis of the findings of the preliminary appraisal.

Public sector projects. A detailed appraisal is carried out for state/central sector projects and the project is analysed based on various parameters, such as its technical and economic soundness, compatibility with integrated power development and expansion plans of the state. Checks are also carried out to see whether the project has the requisite clearances in place and is compliant with environmental standards and guidelines.

Detailed project appraisal involves technical and financial appraisal covering the following:

- project purpose, scope and location;
- need and justification supported by relevant studies;
- review of technology;
- forward and backward linkages (including fuel supply and transportation, water availability, power evacuation and sale of power) and their status;
- review of the contractual arrangements for the implementation of the project such as the EPC contract, power purchase agreement, fuel supply agreements, fuel transportation agreement and bulk power transmission agreement;
- present status of the project in terms of both physical and financial preparedness;
- regulatory compliance, statutory and non-statutory clearances;
- power evacuation arrangements;

- arrangement for operation and maintenance (**O&M**) of the plant;
- implementation plan;
- review of cost, financing plan and phasing of expenditure;
- anticipated tangible and intangible benefits;
- identification of various risks and their mitigation; and
- financial modelling and projections, determination of project viability and sensitivity analysis.

Once the analysis has been completed, pre-commitment, pre-disbursement and other conditions are stipulated, all contracts are put in place and parties are required to comply with the various conditions precedent set out in the various contracts relating to the project.

As part of its project appraisal process, the Issuer evaluates each project and assigns scores based on a range of quantitative and qualitative parameters. Quantitative parameters include the first full-year cost of generation, average tariff and average DSCR. Qualitative parameters include power off-take structure and payment security mechanisms, long-term fuel supply and transportation agreements and their commercial terms, construction contracts, methodology of award and the commercial terms and experience of the O&M contractor. For central/state sector projects, security is generally in the form of government guarantees, or a first charge on the existing and/or future assets and/or an escrow account mechanism. Private sector projects are generally secured either by a charge on assets, assignment of project contracts, first charge on all letters of credit, TRA, DSRA, other reserves and other bank accounts that are maintained by the project, and collateral in the form of a pledge over shares, DSRA or corporate or personal guarantees from the promoters.

Following the sanction of a loan to a public sector project, the Issuer typically undertakes activities such as the completion of the necessary documentation for the sanction, disbursements and project review and monitoring, which involves obtaining progress reports on a quarterly basis, review and analysis of the reports and undertaking site visits as required by the Project Monitoring Unit. All activities following the issue of a sanction letter for a private sector project where the Issuer is the lead arranger are carried out by the Consortium Lending Group and include appointing the lender's legal counsel, engineer and financial advisor, completing the necessary documentation for the sanction, and disbursements (through the TRA mechanism). The Issuer's Project Monitoring Unit reviews the lender engineer's report and prepares an exception report based on the same. The exception report is submitted to the Issuer's senior management and Board periodically.

Entity Appraisal

The Issuer follows a systematic entity appraisal process developed separately for private and public sector entities.

Public sector appraisal. The Issuer provides financial assistance to public sector borrowers based on entity and project appraisal. As part of its entity appraisal process, the Issuer evaluates the entity with reference to a set of qualitative and quantitative factors covering financial and operational efficiency, progress made towards implementing the GoI's reform programme in the state power sector and development of the regulatory framework. The Issuer categorises state power utilities into four categories, from A+ through to C, based on pre-determined parameters including operational and financial performance of the utilities. These categories enable the Issuer to determine credit exposure limits and the pricing of loans to be given to the SPUs. All new successor SPUs created from entities that were proviously SEBs are assigned the category of the former entity for up to 30 months from the commencement of commercial operations by the successor entity. The Issuer usually enters into loan transfer agreements with such SPUs for the transfer of loans granted to the former SEBs. For loans that were originally guaranteed by the relevant state government, such state governments continue as guarantors. SPUs that are incorporated to develop new projects are categorised based on the strength of their respective promoters. The categorisation methodology enables the Issuer to identify the relative strength and weakness of each entity. These categories are used to determine credit exposure limits, security requirements and the pricing of loans given to SPUs.

Private sector appraisal. The Issuer uses a range of quantitative as well as qualitative parameters in its entity appraisal process to assess the capability of the promoters of the borrower to contribute equity towards the project and their overall creditworthiness. The promoters are subjected to a evaluation methodology that analyses their business and financial flexibility. Based on this analysis the promoters are graded depending upon their performance against pre-determined benchmarks. Promoters who are not assessable under the methodology are assigned notional scores in accordance with certain pre-determined criteria. These scores determine the overall grading of the promoters referred to as an entity rating in the Issuer's appraisal process. Such entity rating enables the Issuer to identify whether an advance payment of equity is required to mitigate equity infusion related risks. The entity rating is combined with a project rating to produce an integrated rating which is used to determine the pricing of the loan, the amount of the loan to be extended and the requirement of collateral securities and other covenants. The Issuer carries out quarterly monitoring and review of certain SPUs and issues a quarterly performance report, focusing on key operational and financial performance parameters, reform status and areas of concern and improvement. The Issuer believes these reports enable such utilities and stakeholders to take mid-term corrective measures to improve their performance.

Business Diversification Initiatives

The Issuer expects to continue to play a key role in promoting coordinated and accelerated growth of the power sector in India, and intends to strategically expand the Issuer's business and service offerings.

Renewable Energy and CDM Initiatives

The Issuer believes that the renewable energy space in India provides significant untapped potential. According to the MNRE, as of 31 March 2014, India had an aggregate installed capacity of 31,707 MW of grid interactive renewable energy projects out of an estimated potential of 89,200 MW (except solar power which has a potential of around 20 MW per sq. km) (*Source: MNRE*). The GoI has also launched the JNNSM, with a target of 20,000 MW grid connected solar power by fiscal 2022.

The Issuer has strategically increased its focus on renewable energy projects, including solar, wind, biomass and small hydro projects, to capitalise on the GoI's various renewable energy initiatives. These initiatives include certain minimum specified percentage of state distribution utilities' total power requirements required to be met from renewable energy sources and special tariffs for renewable energy projects.

The Issuer has formed a "Renewable Energy and Clean Development Mechanism" group to focus on financing opportunities in renewable energy projects and promote renewable energy initiatives.

The Issuer continues to provide financing for public and private sector renewable energy generation projects. The Issuer's total loan assets outstanding with regard to renewable energy projects aggregated ₹19,900 million as of 31 March 2014. As of the same date, around 1 per cent. of the Issuer's total loan assets and around 1 per cent. of its total loans sanctioned pending disbursement (net of any sanctions cancelled) related to renewable energy projects.

The Issuer has also jointly promoted Energy Efficiency Services Limited (**EESL**) with other government companies focused on the Indian power sector to develop energy efficient products and services and provide consultancy services related to CDM, carbon markets and energy efficiency initiatives.

Furthermore, the Issuer has also set up PFCGEL as a wholly owned subsidiary to raise funds for renewable energy projects such as wind, solar, biomass, hydro and others. PFCGEL is registered as an NBFC with the RBI. PFCGEL has taken steps to increase its business in the renewable energy sector. In this regard it signed a MoU on 21 May 2014 with the Indian Renewable Energy Development Agency Ltd. to jointly finance renewable energy projects.

Forward and Backward Linkages

The Issuer has strategically expanded its focus areas to include projects that represent forward and backward linkages to the core power sector projects, including capital equipment for the power sector, fuel sources for power generation projects and related infrastructure development, as well as power trading initiatives. The Issuer has set up a facilitation group to focus on financing opportunities for capital equipment manufacturers and the development fuel sources and related infrastructure.

Capital equipment manufacturers. The Issuer believes that significant capacity addition in the Indian power sector requires an augmentation of equipment manufacturing capacities for capital equipment for all segments of the power sector, namely generation, transmission and distribution. The Issuer continues to provide financial assistance for manufacturers of equipment used in the power sector, including transmission and distribution equipment and solar and wind energy generation equipment.

Fuel sources and related infrastructure development. The GoI has introduced various reforms for the development of fuel sources for thermal power generation projects, including the allocation of coal blocks to public and private sector entities as well as the development of related infrastructure facilities for the transportation of coal and other fuel sources such as natural gas. The Issuer intends to provide financing assistance to fuel supply projects and related infrastructure development projects such as electrification infrastructure as well as the development of rail and port infrastructure, which are integral to the development of the power sector in India.

Power trading. The Issuer continues to strategically focus on power trading initiatives in India. The Issuer has made a strategic investment in PXIL, which is promoted by the NSE and the NCDEX, and operates a national power exchange in India. The Issuer has also entered into a joint venture agreement with NTPC, NHPC and TCS to establish NPEL, which will operate a nationwide electronic power exchange. The Issuer funds non-speculative purchases of power through such exchanges by some of its borrowers.

Debt Syndication

The Issuer intends to increase its focus on debt syndication activities in the power sector. The Issuer has acted as the lead financial institution for several projects and has carried out syndication activities for various projects including with members of the Power Lenders Club, a group of 21 banks and financial institutions that work together to provide financing for large projects in the power sector. The Issuer continues to target debt syndication opportunities as it believes that its technical expertise and industry experience, its project appraisal capabilities and its relationship with commercial banks and other financial institutions enable the Issuer to ensure timely completion of such projects. The Issuer set up a consortium lending group in August 2008 to focus on private sector borrowers and debt syndication activities. Furthermore, on 18 July 2011 the Issuer set up a wholly owned subsidiary called PFC Capital Advisory Services Limited (**PFCCAS**) whose aim is to focus on sectoral requirements for financial advisory services, including syndication services. As of the date of this Offering Circular, PFCCAS is involved in debt syndication services and carries out the down-selling of project loans underwritten by the Issuer. PFCCAS handles syndication proposals across various domains in power sector such as thermal, hydro and wind. PFCCAS has also initiated steps to diversify its portfolio of services, including filing an application for the grant of a certificate of registration as a debenture trustee from SEBI.

Equity Investments

The Issuer is in the process of evaluating equity investment opportunities. It aims to leverage its financial strength, large debt providing capability and power sector expertise to invest in equity of various power projects. Furthermore, the Issuer is evaluating the possibility of entering into equity syndication so as to expedite early financial closure of projects leading to faster capacity addition. This would help the Issuer to enhance its fee-based income. Over a period of time, the Issuer plans to build an equity portfolio of power assets which could provide consistent gains in the form of dividend and/or capital appreciation. In this direction, the Issuer has recently established an Equity Funding Group to facilitate and develop this business area.

The Issuer's plans to increase its disbursements will require the Issuer to raise more funds from new as well as existing sources. The Issuer aims to become major player in the financing of private sector power projects in India. Given its expansion plans, the Issuer seeks to tap new markets and diversify sources for raising resources for on-lending purposes.

As a financial institution involved in development, the Issuer is concerned with the balanced development of the Indian power sector and looks to involve itself in the progress of the Indian power sector's policy and regulatory framework. The Issuer aims to enhance its role in influencing grass root reforms to set the basis for overall privatisation.

Joint Ventures and Associates

PTC India Limited

The Issuer has jointly promoted Power Trading Corporation of India (**PTC**) with PGCIL, NTPC and NHPC, pursuant to a shareholders agreement dated 8 April 1999, as amended by an agreement dated 29 November 2002. As of the date of this Offering Circular, the Issuer has invested ₹120 million in PTC, and holds a 4.05 per cent. equity interest in PTC as of the same date. PTC provides power trading solutions in India in addition to power trading.

National Power Exchange Limited (NPEL)

The Issuer entered into a joint venture agreement with NTPC, NHPC and TCS on 3 September 2008, to establish a national level electronic power exchange. NPEL was incorporated as a public limited company on 11 December 2008. As of the date of this Offering Circular, the Issuer holds a 16.66 per cent. equity interest in NPEL. NPEL has not yet commenced operations.

Power Exchange India Limited (PXIL)

The Issuer has made a strategic investment in PXIL, which is promoted by the NSE and the National Commodity and Derivatives Exchange Limited (**NCDEX**). The Issuer entered into a share subscription and shareholders agreement with NSE and NCDEX on 24 February 2009. PXIL commenced operations in October 2008 and operates a national power exchange. The Issuer's investment in PXIL was ₹32.2 million as of 31 March 2014. As of the date of this Offering Circular, the Issuer holds a 6.93 per cent. equity interest in PXIL.

Small is Beautiful Fund

The Small is Beautiful fund is a SEBI-registered venture capital fund managed by KSK Investment Advisor Private Limited, a private sector power developer. The Small is Beautiful fund takes up equity exposure in power generation projects. As of 31 March 2014, the Issuer's outstanding investment in this fund was ₹76.8 million.

Power Equity Capital Advisors Private Limited

Power Equity Capital Advisors Private Limited (**PECAP**) was incorporated on 25 March 2008 as an advisory company to provide advisory services related to equity investments in the Indian power sector. As of 11 October 2011, PECAP has become a wholly-owned subsidiary of the Issuer.

Energy Efficiency Services Limited (EESL)

On 19 November 2009 the Issuer entered into a joint venture agreement with PGCIL, NTPC and REC to incorporate EESL as one of the principal implementation arms of the National Mission on Enhanced Energy Efficiency, one of the eight National Missions announced by the GoI as part of its national action plan on climate change. On 10 December 2009 EESL was incorporated as a public limited company. EESL intends to focus on energy efficiency and climate change initiatives. As of the date of this Offering Circular, the Issuer holds a 25 per cent. equity interest in EESL.

PFC Capital Advisory Services Limited

On 18 July 2011, the Issuer incorporated a wholly-owned subsidiary, PFC Capital Advisory Services Limited, to engage in the syndication and making of financial arrangements for projects and enterprises in the areas of power, energy, infrastructure and other industries.

Corporate Governance

The Issuer believes in the adoption of corporate governance standards that are credible, consistent, coherent and inspiring. The Issuer's philosophy of corporate governance encompasses the characteristics of adequate disclosure, focused approach, compliance with laws, a professional board and ultimately the target of maximising the shareholder value while addressing the interests of creditors, employees, the environment and the society at large. The Issuer intends to comply with the principles of corporate governance set out in the Equity Listing Agreement with the Stock Exchanges.

The Issuer has also laid down a comprehensive code of conduct (**Code**) for the Board and its senior management personnel which is applicable to all Directors and members of senior management of the Issuer. It aims to enhance the ethical and transparent way the Issuer manages its affairs. A copy of the Code is available on the website of the Issuer, at www.pfcindia.com.

The Issuer's Board consists of three Independent Directors apart from the one GoI nominee Director. The Board functions either as a full Board or through various committees constituted to oversee specific operational areas. The Board and its committees meet at regular intervals. As of the date of this Offering Circular, the Board has the following committees:

- audit committee;
- CSR & SD committee;
- shareholder's relationship and shareholders/invertors' grievances committee;
- loans committee;
- committee of functional directors;

- risk management committee;
- committee for investment in IPO of central power sector undertakings;
- nomination, remuneration and HR committee; and
- ethics committee.

Competition

As a leading financial institution in India focused on the power sector, the Issuer believes that its experience in implementing government policies and programmes, industry expertise, relationships with clients and large client base enables the Issuer to be a preferred financing provider for the power sector in India. The Issuer's primary competitors include other public sector financial institutions focused on the power sector such as REC; infrastructure finance companies such as IDFC, IIFCL, IL&FS and IFCI that provide both fund and fee-based services; public sector banks and private banks (including foreign banks); multilateral development institutions; insurance companies that either lend to the power sector directly or work in conjunction with other financial services firms to lend to the infrastructure sector; as well as private equity firms that focus on private equity, buyouts and mezzanine financing for the power sector. For further information, see "*The Indian Power Sector*" and "*Investment Considerations — The power sector financing industry is becoming increasingly competitive and the Issuer's growth will depend on its ability to compete effectively and maintain a low effective cost of funds*".

Regulations

For details, see "*Regulations and Policies in India*".

Employees

The Issuer has an experienced, qualified and committed management and employee base. As of 31 March 2014, the Issuer had 388 employees, including 275 executives. In addition, the Issuer employs contract labourers from time to time. Many of the Issuer's employees, particularly senior management, have worked with the Issuer for significantly long periods. The Issuer believes it has an efficient and lean organisational structure relative to the size of its operations and profitability. The Issuer has a registered trade union under the Trade Unions Act, 1926. The per employee profit for fiscal 2014 was ₹140 million which indicates a high level of employee productivity.

The Issuer was awarded Dalal Street's "First DSIJ Award 2009" in the "Highest Profit Per Employee" category. The Issuer has also been awarded the Global HR Excellence Award 2010 for "Learning and Human Capital Development" by the Asia Pacific HRM Congress and the Global HR Excellence Award 2011 in "Institutional Building" at the World HR Conference.

Training and Employee Development

The Issuer emphasises the need to continuously upgrade the competencies of its employees and equip them with the latest developments in sector and industry practices. The Issuer operates within a knowledge intensive environment and is committed to enhancing the professional skills and knowledge of its employees. The Issuer has in place a systematic training plan where training needs are assessed and professional skills are imparted at all levels of employment through customised training initiatives. The Issuer's employees have in-depth exposure to the various fields of the power sector including critical areas such as project appraisal, project financing, international finance and domestic resource mobilisation.

In its role as a development financial institution, the Issuer has also supported SPUs through a variety of capacity building measures. One such initiative is in the area of need-based training and capacity development of SPU employees to build up their institutional and managerial capacities in keeping with the increased commercial orientation of these entities.

Corporate Social Responsibility (CSR) and Sustainable Development (SD)

CSR is a cornerstone of the Issuer's operations and the Issuer discharges its social responsibility obligations as a part of its growth philosophy. The Issuer aims to act as a responsible corporate citizen and is committed to improving the welfare of the society through inclusive growth aimed at the empowerment of communities through skill development, environment protection through the promotion of renewable energy and the development of underprivileged sections of the society through hygiene and sanitation programmes.

In order to give meaningful direction to the above initiatives, the Issuer has in place a CSR committee of Directors headed by an Independent Director.

With the aim of addressing the socio-economic issues that occur at a national level, the Issuer has revised its CSR & SD policy in line with the guidelines issued by department of public enterprises, GoI.

The Issuer entered into an MOU with the GoI to spend 1 per cent. of the profit after tax for fiscal 2013 on CSR & SD activities. The Issuer had earmarked ₹444 million for CSR & SD initiatives during fiscal 2014. However, the Issuer had sanctioned projects and activities worth ₹702 million during fiscal 2014 alone and disbursed ₹465 million, which included projects sanctioned in fiscals 2014, 2013 and 2012 under CSR & SD activities. The funds were mainly disbursed in order to implement a wide range of social initiatives in the field of skill development and renewable energy, including providing relief and rehabilitation to the victims of natural calamities and others in various states.

Furthermore, with effect from 1 April 2014, the budget allocation for the Issuer's CSR & SD activities is a minimum of 2 per cent. of the profits calculated in the manner provided in the Companies Act.

The Issuer has in the past supported a number of programmes across various states such as: (a) improving operational reliability and service quality of primary health centres, at a cost of ₹75 million; (b) supplying, installing and commissioning of solar lighting system at Giridh, Dhanbad and Bokaro in Jharkhand, at a cost of ₹10.45 million; (c) supplying, installing and commissioning of mini/micro off grid solar PV power plant in three villages in Haryana, at a cost of ₹38 million; (d) programmes aimed at developing various skills of women and people belonging to the "scheduled caste" and "scheduled tribe" category or to the "other backward classes" category, at a cost of ₹237 million; (e) distribution of solar lanterns in selected blocks of Chhattisgarh, at a cost of ₹16 million; and (f) supplying, installing and commissioning solar PV system and biomass cook stoves at Anganwadi centres in Chhattisgarh, at a cost of ₹50 million.

Furthermore, following the directions of the MoP, the Issuer also contributed ₹30 million for relief and rehabilitation activities in the flood affected areas of Uttarakhand and ₹10 million as a contribution towards the "Chief Minister's Relief Fund" for cyclone "Phailin" that affected various parts of Odisha. The Issuer has also sanctioned; (i) ₹53.40 million for a project to supply, install and commission LED solar powered street lighting in villages in Arunachal Pradesh; (ii) ₹69 million for the electrification of 45 un-electrified villages/hamlets in Karnataka using renewable energy sources; (iii) ₹36.6 million for a water distribution pipeline in selected wards of Chanderi town in the Ashok Nagar district of Madhya Pradesh; and (iv) ₹55 million for LED home lighting for bidi workers in Ashok Nagar District of Madhya Pradesh. All the initiatives taken up under CSR & SD have been reported to the national CSR hub.

Certifications

The Issuer was awarded the ISO 9001:2008 certification with effect from 7 January 2010, valid until 7 January 2016, with respect to its operations.

Insurance

The Issuer maintains insurance for its physical assets, such as its office and residential properties, amounting to ₹1,124.2 million. However, the amount of the Issuer's insurance coverage may be less than the replacement cost of such property and may not be sufficient to cover all financial losses that the Issuer may suffer should a risk materialise. See "*Investment Considerations — The Issuer's insurance may not be adequate to protect against all potential losses to which the Issuer may be subject*". In addition, the Issuer maintains policies for providing adequate coverage to its employees in case of accident or death as well as directors and officers insurance for its key personnel.

Information Technology

The Issuer has implemented the following IT initiatives:

- all major business processes such as project appraisal, financial and loan accounting management, pay-roll and human resources have been computerised onto a centralised data base by using on-line transactional applications such as "oracle apps", ERP and integrated power financing system;

- a web based self-help employee portal has been implemented with an on-line claim processing system to facilitate paper less filing of various claims and to enable claim status to be viewed easily;

- a 24x7 operational data centre housing ERP, databases, applications, networks, email exchanges and anti-virus servers, hosted on rack-mount dual processor servers with full power and data redundancy/protection systems, have been established;

- a comprehensive network security system to secure data has been implemented with two-stage firewalling and an intrusion detection and prevention system, together with anti-virus and content filtering systems;

- high-speed local area networks have been installed, and access to IT facilities such as desktop computers are available to the employees;

- the Issuer's reporting requirements have been met by using "oracle reports" and "oracle apps" financial ERP systems; and

- "oracle apps" financial ERP systems have been implemented for all financial transactions and reporting covering general ledger, accounts payable and receivables, financial accounting and resource mobilisation and treasury management modules. These applications have been in operation since fiscal 2011.

Properties

The Issuer's registered office is located at 'Urjanidhi', 1, Barakhamba Lane, Connaught Place, New Delhi. The Issuer entered into a memorandum of agreement dated 5 February 2002 with the President of India in relation to the Issuer's registered office premises, pursuant to which the Issuer was required to execute a perpetual lease upon completion of construction of the building where its registered office is situated. The perpetual lease deed was executed on 23 March 2011. The Issuer also has two regional offices in Mumbai and Chennai. The Issuer's Mumbai office has been taken on a lease and license basis under an agreement dated 8 October 2013 for a limited period of 22 months commencing from 6 October 2013 to 5 August 2015. The Issuer's Chennai office is situated in a freehold own building purchased on 31 January 2012. In addition to the above mentioned office properties, the Issuer also owns two residential properties in New Delhi.

Legal and Regulatory Proceedings

The Issuer is involved in certain legal and tax-related proceedings. These proceedings are pending at different levels of adjudication before various government authorities, courts, tribunals and appellate authorities. However, excluding the legal proceedings discussed below, the Issuer is not a party to any proceedings and no proceedings are known by the Issuer to be contemplated by governmental authorities or third parties, which, if adversely determined, would have a material adverse effect on the Issuer's financial condition or results of operations.

The Issuer is involved in 24 income tax proceedings ranging from the tax assessment year's 1996-1997 to 2011-2012 (this being the latest year for tax assessment by the income tax authorities) which are pending at different levels of adjudication before various government authorities, tribunals and courts in India. 15 of these proceedings are appeals filed by the Issuer and nine proceedings are appeals filed by the income tax authorities. As of 31 March 2014, the total amount claimed in the various appeals filed by the Issuer and the income tax authorities aggregates to approximately ₹1,177.20 million and ₹792.6 million, respectively, and the total amount paid by the Issuer in fiscal 2014, against the demand raised by the income tax authorities aggregates to approximately ₹240.1 million. The amount of contingent liabilities as of 31 March 2014, in respect of income tax claims is ₹1,291.3 million.

There are eight civil cases filed against the Issuer, pending before various courts in India. Out of these cases, claims in only one case has been quantified to approximately ₹0.03 million. Claim amounts for the remaining seven cases have not been quantified. There were no contingent liabilities as of 31 March 2014, in respect of such claims.

There are two cases which have been filed by the Issuer, one of which is pending before the Debt Recovery Tribunal, New Delhi, for recovery of ₹139.4 million in relation to outstanding dues payable to it by one of its borrowers. The Issuer has also filed an execution suit before a district court in Ghaziabad for recovery of dues for an amount of ₹0.9 million against an ex-employee. As of 31 March 2014, the total amount that has been provisioned for both these cases is ₹89.18 million.

Since most of the cases above are pending, at the trial stage, it is difficult to estimate a precise figure of the amount of any losses that the Issuer is likely to sustain as a result of such actions being decided against the Issuer.

In addition, from time to time, the Issuer may receive notices in relation to third party disputes, the property in relation to these disputes may comprise of bonds issued by the Issuer.

ASSETS AND LIABILITIES

The following table sets forth the Issuer's net assets as of 31 March 2012, 2013 and 2014:

Particulars	As of 31 March 2012	2013	2014
		(standalone) (₹ million)	
Total assets	1,355,750.6	1,698,165.6	1,941,641.0
Total liabilities	1,148,675.4	1,457,624.4	1,667,894.9
Net assets	**207,075.2**	**240,541.2**	**273,746.1**

The Issuer's net assets, defined as the Issuer's total assets less its total liabilities, increased by 13.8 per cent. from ₹240,541.2 million as of 31 March 2013 to ₹273,746.1 million as of 31 March 2014.

Assets

The following table sets forth the principal components of the Issuer's assets as of 31 March 2012, 2013 and 2014:

Particulars	As of 31 March 2012	2013	2014
		(standalone) (₹ million)	
Fixed assets	764.6	743.4	706.3
Investments	591.7	1,910.1	3,521.7
Loans	1,300,718.2	1,603,666.0	1,892,312.4
Foreign currency monetary item translation difference account	5,154.1	4,779.7	—
Current assets, loans and advances	48,522.0	87,066.4	45,100.6
Total assets	**1,355,750.6**	**1,698,165.6**	**1,941,641.0**

The Issuer's total assets increased by 14.34 per cent. from ₹1,698,165.6 million as of 31 March 2013 to ₹1,941,641.0 million as of 31 March 2014. The most significant element of this increase was a 18 per cent. increase in loans, as a result of the growth of the Issuer's business.

Fixed Assets

Fixed assets include freehold and leasehold land, buildings, IT equipment, office and other equipment and furniture and fixtures. Fixed assets decreased by 5 per cent. from ₹743.4 million as of 31 March 2013 to ₹706.3 million as of 31 March 2014.

Investments

The Issuer's investment portfolio primarily includes long-term investments and current investments. The following table sets forth certain information with respect to the Issuer's investments as of the dates indicated:

Particulars	**As of 31 March** 2012	2013	2014
		(standalone) (₹ **million)**	
Long-term investments[(1)]	309.6	1,871.8	3,483.4
Current investments (valued scrip wise at lower of cost).	38.3	38.3	38.3
Application money pending allotment of shares.	243.8	0.0	0.0
Total investments[(2)]	**591.7**	**1,910.1**	**3,521.7**

(1) The Issuer's long term investments increased by 86 per cent. from ₹1,871.8 million as of 31 March 2013 to ₹3,483.4 million as of 31 March 2014, mainly on account of investment of ₹741 million in equity share capital and ₹1,160million in preference share capital of the Issuer's wholly owned subsidiary PFCGEL.

(2) The total is net of provisions for diminution and contingencies.

Loans

The following table sets forth certain information relating to the Issuer's loan assets as of the dates indicated:

Particulars	**As of 31 March** 2012		2013		2014	
			(standalone)			
	₹ million	**% of total**	**₹ million**	**% of total**	**₹ million**	**% of total**
Rupee loans						
(a) Term loans [(1)]	1,222,669.1	94.0	1,561,532.2	97.4	1,829,831.5	96.7
(b) Short-term loans . . .	61,771.7	4.7	24,161.1	1.5	23,961.8	1.3
Foreign Currency loans.	3,572.6	0.3	3,383.4	0.2	3,016.3	0.2
Others [(2)]	12,704.8	1.0	14,589.3	0.9	35,502.8	1.8
Total.	**1,300,718.2**	**100.0**	**1,603,666.0**	**100.0**	**1,892,312.4**	**100.0**

(1) This includes ₹180,549.0 million, ₹178,719.6 millon, ₹204,391.3 million of long term loan assets for fiscals 2012, 2013 and 2014 respectively of current maturities.

(2) Others includes equipment leasing, buyers' lines of credit, loans to equipment manufacturers and interest accrued and due on loans.

The Issuer's loan assets are presented as adjusted for any provisions for contingencies made in the respective fiscal period.

Current Assets, Loans and Advances

Current assets primarily include receivables under the Issuer's financing activities. The following table sets forth certain information with respect to the Issuer's current assets, loans and advances as of the dates indicated:

Particulars	As of 31 March 2012	2013	2014
		(standalone) (₹ million)	
Cash and bank balances	19,882.0	47,538.1	601.4
Other current assets	25,106.6	33,083.7	38,928.8
Loans and advances	3,533.4	6,444.6	5,570.4
Total assets	**48,522.0**	**87,066.4**	**45,100.6**

Note: The above table does not include ₹180,549.0 million, ₹178,719.6 million and ₹204,391.3 million of current maturities of long term loan assets and investments for fiscals 2012, 2013 and 2014, respectively.

Cash and bank balances includes balances with scheduled banks in fixed deposit, cheques on hand and current accounts with scheduled banks. Cash and bank balances were ₹47,538.1 million as of 31 March 2013 and ₹601.4 million as of 31 March 2014.

Other current assets includes interest accrued on loan assets, other charges accrued on loan assets, interest accrued on employee advances and interest accrued on investments and fixed deposits. Other current assets increased by 2.8 per cent. from ₹37,863.4 million as of 31 March 2013 to ₹38,928.8 million as of 31 March 2014.

Loans and advances primarily includes advance income tax and tax deducted at source, advances (including interest recoverable thereon) given to the Issuer's subsidiaries (UMPP SPVs), advances given to employees as well as any prepaid financial charges on commercial paper. Loans and advances decreased by 13.6 per cent. from ₹6,444.6 million as of 31 March 2013 to ₹5,570.4 million as of 31 March 2014, mainly due to a decrease in accrual interest on loans.

Liabilities

The following table sets forth the principal components of the Issuer's liabilities as of the dates indicated:

Particulars	As of 31 March 2012	2013	2014
		(standalone) (₹ million)	
Loan funds (secured)	53,615.5	74,972.2	227,766.6
Loan funds (unsecured)	1,047,643.6	1,320,854.9	1,364,384.0
Deferred tax liability	874.3	2,197.9	2,742.2
Interest subsidy fund from GoI	3,762.1	1,457.8	1,238.7
Current liabilities and provisions	42,779.9	58,141.6	71,763.4
Total liabilities	**1,148,675.4**	**1,457,624.4**	**1,667,894.9**

The Issuer's total liabilities increased by 14.4 per cent., from ₹1,457,624.4 million as of 31 March 2013 to ₹1,667,894.9 million as of 31 March 2014.

Loan funds

The Issuer's borrowing reflects various sources, maturities and currencies, and includes bonds and term loans, as well as commercial paper. Historically, most of the Issuer's borrowings have been on an unsecured basis. The following table sets forth certain information relating to the Issuer's Rupee-denominated and foreign currency denominated borrowings as of the respective dates indicated:

	As of 31 March					
	2012		2013		2014	
			(standalone)			
	₹ million	**% of total**	**₹ million**	**% of total**	**₹ million**	**% of total**
Rupee	1,045,355.9	94.9	1,311,589.6	94.0	1,502,892.2	94.4
Foreign currency[1]	55,903.2	5.1	84,237.5	6.0	89,258.4	5.6
Total	**1,101,259.1**	**100.0**	**1,395,827.1**	**100.0**	**1,592,150.6**	**100.0**

(1) The Rupee equivalents of foreign currency borrowings are based on the foreign exchange rates prevailing at the end of the relevant fiscal period.

(2) The above table includes ₹142,589.3 million, ₹184,318.5 million and ₹167,234.9 million of current maturities of long term liabilities for fiscals 2012, 2013 and 2014, respectively.

Interest Subsidy Fund from the GoI

The interest subsidy fund from the GoI relates to the interest subsidy for eligible borrowers provided by the MoP under the AG&SP programme on a net present value basis, credited to the interest subsidy fund on receipt and is passed on to borrowers over the eligible period of loan on the relevant dates of interest demands. Any excess or shortfall in the interest subsidy fund is refunded or adjusted / charged off at the completion of the respective scheme. The interest subsidy fund is credited at the period-end with interest on the outstanding balance in the subsidy fund by debiting profit and loss account, at rates specified in the scheme.

Current Liabilities and Provisions

Current liabilities primarily include (i) interest accrued but not due on (a) bonds issued by the Issuer, (b) the Issuer's borrowings and (c) the interest subsidy fund from the GoI under the AG&SP scheme; (ii) advances received from the Issuer's subsidiary SPVs under the UMPP schemes, and (iii) funds received from the GoI under the R-APDRP scheme. Other current liabilities primarily include amounts payable to the GoI on account of interest subsidy to be recovered and refunded to the GoI. Current liabilities were ₹66,093.7 million as of 31 March 2014, compared to ₹56,036.2 million as of 31 March 2013.

Provisions primarily include proposed dividend payments and dividend taxes thereon, as well as provision for income tax, leave encashment, economic rehabilitation of employees, staff welfare expenses and gratuity/ superannuation fund. The Issuer's provisions increased by 93.9 per cent. to ₹6,908.4 million as of 31 March 2014 from ₹3,563.2 million as of 31 March 2013. The increase is mainly due to contingent provisions against standard assets.

The current liabilities and provisions as shown above do not include current maturities of long term liabilities.

Funding and Liquidity

The Issuer's primary sources of funds include equity capital, internal resources and domestic and foreign borrowings. The Issuer's borrowings reflect various sources, maturities and currencies, and include bonds and term loans, as well as commercial paper.

Equity

In the initial years following the Issuer's incorporation, equity contribution from the GoI was an important source of funding. Since fiscal 1988, the Issuer has become more reliant on other sources of funding, such as borrowings. In February 2007, the Issuer made an initial public offering which included a fresh issue of 117,316,700 equity shares and resulted in net proceeds to the Issuer of approximately ₹9,971.9 million. In May 2011, the Issuer did a follow on public offering of 229,553,340 equity shares which resulted in new proceeds to the Issuer of approximately ₹34,336.5 million. In March 2014, the MoP of the GoI, through the Department of Disinvestment, divested 12,106,076 of the Issuer's equity shares. As of 31 March 2014, the GoI's shareholding was 72.8 per cent. of the Issuer's paid-up equity capital.

Rupee and Foreign Currency Borrowings

The following table sets forth certain information relating to the Issuer's Rupee-denominated and foreign currency denominated borrowings as of the respective dates indicated:

	As of 31 March					
	2012		2013		2014	
	₹ million	% of total	₹ million	% of total	₹ million	% of total
Rupee	1,045,355.90	94.9	1,311,589.6	94.0	1,502,892.2	94.4
Foreign currency(1)	55,903.2	5.1	84,237.5	6.0	89,258.4	5.6
Total	**1,101,259.1**	**100.0**	**1,395,827.1**	**100.0**	**1,592,150.6**	**100.0**

(1) The Rupee equivalents of foreign currency borrowings are based on foreign exchange rates prevailing at the end of the relevant fiscal period.

Rupee borrowings

The Issuer's primary sources of funds are Rupee-denominated bonds and term loans availed of in India. A significant percentage of the Issuer's Rupee-denominated borrowings are raised through the issuance of privately placed bonds in India. As of 31 March 2014, the Issuer had outstanding borrowings in the form of bonds aggregating ₹1,265,047.3 million and ₹237,844.9 million in the form of loans from Indian banks and financial institutions. In addition, the Issuer has been classified as an IFC, which enables it to further diversify its borrowings through the issuance of Rupee-denominated tax free bonds that offer tax exemption on the interest income to the bondholders, and infrastructure bonds that offer certain tax benefits to the bondholders.

The following table sets forth certain information relating to the Issuer's Rupee borrowings as of the respective dates indicated:

	As of 31 March		
Particulars	**2012**	**2013**	**2014**
		(₹ million)	
Tax free bonds	50,000.0	62,751.2	112,751.1
Infrastructure bonds	3,615.5	3,615.5	3,615.5
Taxable bonds	785,583.4	986,975.2	1,148,680.7
Term loans from Indian banks and FIs	206,157.0	258,247.7	237,844.9
Total	**1,045,355.9**	**1,311,589.6**	**1,502,892.2**

The above table includes ₹140,351.0 million, ₹181,926.7 million and ₹130,243.9 million of current maturities of long term liabilities for fiscals 2012, 2013 and 2014, respectively.

Foreign currency borrowings

The Issuer has raised foreign currency funds through syndicated loans, loans from multilateral agencies and other sources such as FCNR(B) loans, loans at fixed interest rate or loans at interest rates linked to LIBOR. The following table sets forth certain information relating to the Issuer's foreign currency borrowings by source, as of the respective dates indicated:

(₹ million)

	As of 31 March		
	2012	**2013**	**2014**
ADB New Loan	1,079	1,108	1,157
Credit National	974	914	995
World Bank	10	4	—
KfW — Portion I	609	594	674
KfW — Portion II	126	94	73
FCNR(B) Loans	2,061	2,192	—
USPP	9,275	9,864	10,888
Syndicated Bank Loan VII	15,459	16,440	18,147
Syndicated Bank Loan VIII	12,840	12,206	12,599
Syndicated Bank Loan IX	13,470	13,421	14,480
Syndicated Bank Loan XII	—	13,700	15,123
Syndicated Bank Loan XIII	—	13,700	15,123
Total	**55,903**	**84,237**	**89,259**

The Issuer has been classified as an IFC. As an IFC, the Issuer is also eligible to raise, under the automatic route (without the prior approval of the RBI), ECBs of up to U.S.$750.00 million in each fiscal year, subject to the aggregate outstanding ECBs not exceeding 75.0 per cent. of the Issuer's owned funds.

Credit Ratings

CRISIL, ICRA and CARE have granted credit ratings to the Issuer for its long-term domestic borrowings and its short-term borrowings. International credit rating agencies Moody's, Fitch and Standard & Poor's have also provided the Issuer with long-term foreign currency issuer ratings.

Off-Balance Sheet Arrangements and Financial Instruments

Contingent Liabilities

The following table sets forth the principal components of the Issuer's contingent liabilities as of 31 March 2014:

Particulars	As of 31 March 2014
	(₹ million)
Guarantees issued in foreign currency	250.7
Guarantees issued in Rupees	2,992.0
Demand raised by income tax authorities and disputed	1,291.3
Claims not accepted	0.4
Letters of comfort	22,749.6
Total	**27,284.0**

As of 31 March 2014, guarantees issued in foreign currency included U.S.$4.14 million (equivalent to ₹250.7 million).

The Issuer offers letters of comfort against its sanctioned term loans to enable the borrower to establish a letter of credit with its banker. The letter of comfort is issued only in cases where it is a prerequisite for engineering, procurement and construction contracts or equipment supply contracts of projects financed by the Issuer. When the Issuer makes a disbursement against a letter of comfort, the amount so disbursed is converted into a loan asset and the value of the letter of comfort is reduced by the amount disbursed. The amount outstanding on account of letters of comfort issued by the Issuer as of 31 March 2014 was ₹22,749.6 million.

Undisbursed Approvals

In the ordinary course of its business, the Issuer sanctions loans that are not reflected in its financial statements unless they are disbursed. As of 31 March 2014, total loans sanctioned pending disbursement (net of any loan sanctions cancelled) was ₹1,563,900.0 million.

Foreign Exchange and Hedging Transactions

The Issuer mitigates exchange and interest rate risks in foreign currency liabilities by lending in foreign currency and entering into hedging transactions such as currency forwards, principal only swaps, options, forward rate agreements and interest rate swaps. As of 31 March 2014, the Issuer had foreign currency borrowings outstanding of U.S.$999.13 million, JPY41,643.20 million and €20.87 million (aggregate equivalent to U.S.$1,432.72 million, or 6 per cent. of the Issuer's total borrowings as of such date). As of 31 March 2014, the Issuer had lent in foreign currency to cover approximately 4.13 per cent. of its foreign currency principal exposure. As of 31 March 2014, the equivalent of U.S.$254.22 million and U.S.$575 million have been hedged for exchange rate risk and interest rate swaps, respectively.

Foreign currency liabilities not hedged by a derivative instrument or otherwise as of 31 March 2014 were U.S.$791.93 million, €20.87 million and JPY36,807.40 million. This however does not include partial hedges where only one currency leg has been hedged.

Capital Expenditure

The Issuer's business has not in the past required, and is not in the future expected to require, substantial capital expenditure. The Issuer's net fixed assets of ₹706.3 million as of 31 March 2014 consist mainly of land and buildings, computers, office equipment, furniture and capital work in progress. The Issuer's capital expenditure consisting mainly of the purchase of fixed assets, for fiscal 2014 was ₹14.7 million.

Contractual Obligations and Commercial Commitments

The Issuer's contractual obligations and commercial commitments after exercising put and call options consist principally of the following, as of 31 March 2014, classified by maturity:

	Fiscal						
	2015	**2016**	**2017**	**2018**	**2019**	**Beyond 2019**	**Total**
				(₹ million)			
Rupee loan assets	137,491.0	154,957.5	173,768.0	177,113.1	174,242.9	1,068,902.4	1,886,474.9
Foreign currency assets	431.5	456.3	475.6	232.4	219.5	1,662.8	3,478.1
Investments	0.0	0.0	0.0	0.0	0.0	3,521.7	3,521.7
Foreign currency liabilities	36,991.0	19,881.5	19,298.8	11,097.3	209.1	1,780.7	89,258.4
Rupee liabilities (Bonds+Rupee term loan+short term loan)	174,253.0	219,015.8	174,394.3	147,050.8	183,220.5	609,016.1	1,506,950.5

Net interest margin analysis

The following table sets forth, for the periods indicated, the average balances of interest earning assets and interest bearing liabilities together with the related interest income and expense amounts, resulting in the presentation of the average yields and cost of fund for each period.

The average balances for interest earning assets and interest-bearing liabilities are calculated based on daily averages for fiscal years 2012, 2013 and 2014. The Issuer's calculation of average interest earning assets and average interest bearing liabilities may not be comparable to the calculation followed by other Indian banks and financial institutions, which may calculate their average balances based on a daily, fortnightly or monthly averages. The Issuer believes that due to the nature of its portfolio, which is concentrated on relatively longer-term assets and liabilities, the volatility of its assets and liabilities is lower than that of most banks and financial institutions.

The following table sets forth for the periods indicated, information relating to the performance of the Issuer's loan financing business. The average yield on interest-earning assets is the ratio of interest income to average interest-earning assets. The average cost of interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities.

(₹ in million, except percentages)

	Fiscal					
	2013			2014		
	Average balance	Interest income and expense	Average yield / cost	Average balance	Interest income and expense	Average yield / cost
Total interest-earning assets[(1)]	1,426,739.1	170,406.3	11.94%	1,716,437.7	211,214.9	12.31%
Total interest-bearing liabilities[(2)]	1,186,463.8	107,683.0	9.08%	1,427,627.4	126,411.4	8.85%
Net interest income	—	62,723.3	—	—	84,803.5	—
Net interest margin[(3)]	—	—	4.40%	—	—	4.94%

(1) Total interest-earning assets consist of gross loans (excluding lease financing to borrowers for fiscal years 2013 and 2014 and income accrued and due on loans), cash and bank balances, investment in mutual funds (excluding cash and bank balance under the R-APDRP scheme) and advances to subsidiaries.

(2) Total interest-bearing liabilities consist of loans, interest subsidy fund from GoI and advances received from subsidiaries.

(3) The net interest margin is the ratio of net interest income to average interest-earning assets.

The following table sets forth, for the periods indicated, the allocation of the changes in the Issuer's interest income and interest expense due to changes in average volume and changes in average rates. The changes in net interest income and interest expense and between periods have been reflected as attributed either to volume or rate changes. For the purposes of this table, changes, which are due to both volume and rate, have been allocated solely to changes in rate.

(₹ in million, except percentages)

	Fiscal 2013 vs. Fiscal 2012			**Fiscal 2014 vs. Fiscal 2013**		
	Net change in interest income or expense	**Change due to change in average volume(1)**	**Change due to change in average rate(2)**	**Net change in interest income or expense**	**Change due to change in average volume(1)**	**Change due to change average rate(2)**
Interest income	43,167.1	33,247.7	9,919.3	40,808.6	34,600.9	6,207.7
Interest expense(3)	24,390.0	23,430.7	959.3	18,728.4	21,887.9	(3,159.5)
Net interest income	18,777.0	9,817.0	8,960.0	22,080.2	12,713.0	9,367.2

(1) The change due to a change in average volume was calculated from the change in average balance over the two years multiplied by the average rate in the earlier year, ignoring the variation during the year.

(2) The change due to a change in average rate is the total change less the change due to volume.

(3) Including other charges and resource mobilisation expenses.

Financial ratios

The following table sets forth, for the periods indicated, the yields, cost of funds, spreads and net interest margins on the Issuer's interest-earning assets.

(₹ in million, except percentages)

	Fiscal		
	2012	**2013**	**2014**
Interest income	127,239.3	170,406.3	211,214.9
Average interest-earning assets	1,131,164.8	1,426,739.1	1,716,437.7
Interest expense	83,293.0	107,683.0	126,411.4
Average interest-bearing liabilities	925,981.0	1,186,463.8	1,427,627.4
Net interest income	43,946.3	62,723.3	84,803.5
Average total assets	1,201,046.5	1,526,958.1	1,816,964.5
Average interest-earning assets as a percentage of average total assets	94.2%	93.4%	94.5%
Average interest-bearing liabilities as a percentage of average total assets	77.1%	77.7%	78.6%
Yield(1)	11.25%(3)	11.94%	12.31%
Cost of funds(2)	9.00%(3)	9.08%	8.85%
Spread(3)	2.25%(3)	2.87%	3.45%
Net interest margin(4)	3.89%(3)	4.40%	4.94%

(1) Yield represents the ratio of interest income to average interest-earning assets.

(2) Cost of funds represents the ratio of interest expense and other charges (including resource mobilisation expenses) to average interest-bearing liabilities.

(3) Spread is the difference between yield and cost of funds.

(4) Net interest margin is the ratio of net interest income to average interest-earning assets.

The difference between net interest margin and spread arises due to the difference in the amount of average interest-earning assets and average interest-bearing liabilities. If average interest-earning assets exceed average interest-bearing liabilities, net interest margin is greater than the spread. If average interest-bearing liabilities exceed average interest- earning assets, net interest margin is less than the spread.

Returns on equity and assets

The following table sets forth, for the periods indicated, selected financial ratios:

(₹ in million, except percentages)

	Fiscal		
	2012	2013	2014
Profit after tax	30,317.4	44,196.0	54,177.5
Average total assets	1,201,046.5	1,526,958.1	1,816,964.5
Average net worth[(1)]	168,452.7	209,222.7	234,857.7
Profit after tax as a percentage of average total assets	2.5%	2.90%	2.98%
Profit after tax as a percentage of average net worth	18.0%	21.1%	23.1%
Average net worth as a percentage of average total assets	14.0%	13.7%	12.9%

(1) Net worth is defined as Shareholders' fund less reserve for bad and doubtful debts under section 36(1)(viia)(c) of the Income Tax Act Debenture Redemption Reserve.

Growth statistics

The following table sets forth, for the periods indicated, selected growth statistics.

(₹ in million)

	Fiscal		
	2012	2013	2014
Loans and grants sanctioned	690,240.0	788,750.0	650,600.0
Loans and grants disbursed	414,180.0	463,680.0	478,020.0
Operating income	130,148.5	172,602.7	215,224.2
Profit after tax	30,317.0	44,196.0	54,177.5
Loan assets	1,300,718.0	1,603,666.0	1,892,312.4
Total assets	1,355,751.0	1,698,165.6	1,941,641.0

Concentration of outstanding loans

The following table sets forth the ten individual borrowers to whom the Issuer had the highest amount of loans outstanding as of 31 March 2014:

Borrower	Loans outstanding	% of total outstanding loans as of 31 March 2014
	(₹ in million, except percentages)	
Rajasthan Rajya Vidyut Utpadan Nigam Ltd.	142,331.2	7.5
Maharashtra State Power Generation Company Ltd	121,031.4	6.4
NTPC Ltd.	93,781.4	5.0
M.P. Power Generating Company Ltd.	91,090.7	4.8
Tamil Nadu Generation and Distribution Corp Ltd.	88,134.0	4.7
Chhattisgarh State Power Generation Co	81,128.3	4.3
U.P. Rajya Vidyut Utpadan Nigam Ltd.	66,446.9	3.5
A.P. Power Generation Corp. Ltd.	61,348.9	3.2
A.P. Power Development Corporation.	58,198.8	3.1
Tamil Nadu Electricity Board.	57,558.1	3.0
Total	**861,049.7**	**45.5**

In addition to its exposure to borrowers resulting from outstanding loans, the Issuer may also have exposures to borrowers, including the ten individual borrowers and borrower groups referred to above, in the form of unfunded loan sanctions.

Prudential Norms

As the Issuer is a GoI owned NBFC, the RBI has exempted it from the application of its circular on prudential reserve norms, the Non-banking Financial (Non-deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007. Instead, the Issuer follows the prudential norms approved by its Board and the MoP.

In fiscal 2007, the RBI directed the Issuer to submit a roadmap for compliance with RBI prudential norms. Accordingly, the Issuer has submitted roadmaps to the RBI from time to time and, based on the roadmaps, the RBI has given exemptions to the Issuer from the application of various RBI prudential norms but not, for example, the exposure norms for private sector utilities. Subsequently, the RBI directed the Issuer to follow borrower-wise asset classification in respect of GoI sector utilities (the Issuer had already been following borrower-wise asset classification in private sector utilities) and the RBI allowed the Issuer to apply its prudential norms until 31March 2016, as set out in the RBI letters dated 25 July 2013 and 3 April 2014.

In relation to the restructuring, rescheduling and renegotiation of loans, the RBI allowed the Issuer to apply the MoP approved prudential norms until 31 March 2017 for transmission and distribution, renovation and modernisation and life extension projects, hydro projects in the Himalayan region or other regions affected by natural disasters. The RBI norms for restructuring will be applicable to those new project loans sanctioned to generating companies with effect from 1 April 2015 and restructured thereafter. Loans sanctioned up to 31 March 2015 and restructured thereafter will be regulated by the MoP approved norms. However, for loans to generating companies sanctioned up to 31 March 2015 and restructured thereafter, the provisioning requirement for restructured loans will be as per the RBI norms, as set out in the RBI letter dated 11 June 2014 and the Issuer's letter dated 3 July 2014.

Classification of Assets

The Issuer is a non-deposit taking systemically important NBFC and is regulated by the RBI. Classification of assets are guided by the Issuer's internal prudential norms, approved by the GoI, further details of which are set out below:

Standard Assets

A standard asset is an asset which is not a NPA and in respect of which no default in repayment of principal or payment of interest is perceived and which does not disclose any problem nor carry any greater than usual risk attached to the business.

Substandard Assets

A substandard asset is defined as a loan or any other facility which has been classified as non-performing asset for a period not exceeding 18 months.

Doubtful Assets

A doubtful asset is defined as a loan or any other facility which remains an NPA for a period exceeding 18 months.

Loss Assets

A loss asset is defined as an asset which has been identified as a loss asset by the Issuer or the asset remains doubtful for a period exceeding 36 months, whichever is earlier.

Loans and advances and any other form of credit are classified as standard assets, sub-standard assets, doubtful assets and loss assets.

The class of assets referred to above shall not be upgraded merely as a result of rescheduling, unless it satisfies the conditions required for the upgrade.

Non-performing Assets

An asset including a lease asset in respect of which interest, principal instalment and/or other charges remain due but unpaid for a period of six months or more, a term loan inclusive of unpaid interest and other dues if any, when the principal instalment and/or interest remains unpaid for a period of six months or more, any amount which remains due but unpaid for a period of six months or more under bill discounting scheme and any amount due on account of sale of assets or services rendered or reimbursement of expenses incurred, which remains unpaid for a period of six months or more are classified as NPAs.

Provisions/write off Against Loans and Advances

Prudential Norms

As a government-owned NBFC, the Issuer is exempt from certain RBI directions relating to prudential norms. The Issuer has, however, formulated its own set of prudential norms with effect from 1 April 2003, which have been revised from time to time.

In respect of private sector utilities, the Issuer applies RBI exposure norms, as advised by the RBI pursuant to its letter of December 2008. Furthermore, the RBI, in its letter dated 18 March 2010, exempted the Issuer from its prudential exposure norms in respect of lending to governmental entities in the power sector until March 2012.

The Issuer was granted IFC status in July 2010 and, as of the date of this Offering Circular, maintains CRAR as required for maintaining such IFC status.

However, the following assets are not classified as NPAs and the income on these loans is recognised on a realisation basis:

- Loans in respect of projects which are under implementation as per RBI Circular No. ref DBS.FID No. C-11/01.02.00/2001-02 dated 1 February 2002, read with D.O. letter DBS FID No 1285/01.02.00/2001-02 dated 14 May 2002 and RBI letter No.DBOD.BP.No.7675/21.04.048/2008-09 dated 11 November 2008 are classified in line with the RBI guidelines for asset classification of infrastructure projects, as applicable to banks from time to time.

- A facility which is backed by a central or state government guarantee or by a state government undertaking for deduction from central plan allocation or a loan to a state department, for a period not exceeding 12 months from the date from which the Issuer's dues have not been paid by the borrower.

- Where a loan is disbursed to an integrated power entity which is bifurcated on account of division of states, the Issuer is to follow the GoI order issued for division of assets and liabilities, unless such order is stayed by a court of competent jurisdiction and the case is pending in court.

- Non-servicing of part of the dues disputed by a borrower for a period not exceeding 12 months from the date from which the Issuer's dues have not been paid by the borrower. The disputed income is recognised only when it is actually realised. Any such disputed income already recognised in the books of accounts is reversed. Disputed dues means amount on account of certain financial charges including commitment charges, penal interest and disputed differential income on account of interest reset not serviced by the borrower due to certain issues remaining unresolved. Disputes are acknowledged on a case by case basis with the approval of the Board.

NPA classification and provisioning norms for loans, other credits, hire purchase and lease assets are determined as set out below:

- NPA for a period not exceeding 18 months: sub-standard asset.

- NPA exceeding 18 months: doubtful asset.

- When an asset is identified as a loss asset or assets remain doubtful asset exceeding 36 months, whichever is earlier: loss asset.

For the purposes of asset classification and provisioning, the following provisos apply:

(i) facilities granted to Government sector and private sector entities are classified as "borrower wise" except for Government sector loans, where cash flows from each project are separately identifiable and applied to the same project, in which case the Issuer shall classify such loans on a "project wise" basis;

(ii) the amount of security deposits kept by the borrower with the Issuer under the lease agreement, together with the value of any other security available under the lease agreement, may be deducted as set out in (i) above;

(iii) NPAs subjected to rescheduling and/or renegotiation and/or restructuring, whether in respect of instalments of principal amount or interest amount, shall not be upgraded to the standard category until the expiration of one year of satisfactory performance under the restructuring and/or rescheduling and/or renegotiation terms;

(iv) interest restructuring that is customarily carried out by the Issuer to help borrowers to convert previous high cost debts into lower interest bearing debts will not be treated as a rescheduling or a debt restructuring; and

(v) facilities mentioned in (i) above that have been classified as NPAs shall be classified in line with RBI guidelines for asset classification of infrastructure projects, as applicable to banks from time to time, but provisioning for such facilities shall be as per the Issuer prudential norms that are applicable from time to time.

Provision against NPAs (assets other than hire purchase and leased assets) is made at the rates indicated below:

(i) Sub-standard assets: 10.0 per cent.

(ii) Doubtful assets:

- Secured portion or facility including that guaranteed by state or central governments or by a state government undertaking for deduction from central plan allocation or a loan to state department:

  up to 1 year: 20.0 per cent.
  1-3 years: 30.0 per cent.
  More than 3 years: 100.0 per cent.

- Unsecured: 100.0 per cent. A facility which is backed by a guarantee by the central or state government or by a state government undertaking for deduction from central plan allocation or a loan to a state department would be treated as secured for the purpose of making provision.

(iii) Loss assets: 100.0 per cent.

The entire loss assets are written off. If a loss asset is permitted to remain in the books for any reason, 100 per cent. of the outstanding shall be provided for.

For the purpose of assets classification and provisioning:

- facilities granted to government sector entities are considered loan-wise; and

- facilities granted to private sector entities are considered borrower-wise.

Provisioning norms for hire purchase and leased assets are made as per paragraph 9(2) of the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 issued by the RBI in its circular dated 1 July 2014 and subsequent amendments issued from time to time.

NPA Analysis

The following table sets forth information relating to the Issuer's NPAs relating to its loan assets as of the dates indicated, by sector:

	As of March 31					
	2012		2013		2014	
	million	% of total	million	%of total	million	% of total
State sector	0	0.0	0.0	0.0	0.0	0.0
Private sector	13.584.7	100.0	11,345.1	100.0	12,277.1	100.0
Total	13.584.7	100.0	11,345.1	100.0	12,277.1	100.0

As of 31 March 2012, 2013 and 2014, the Issuer had gross NPAs of ₹13,584.7 million, ₹11,345.1 million and ₹12,277.1 million, respectively, which represented 1.04 per cent., 0.71 per cent. and 0.65 per cent. of its total loan assets, respectively, as of such dates.

RECENT DEVELOPMENTS

Highlights of the Issuer's financial results for the nine months ended 31 December 2014

On 11 February 2015, the Issuer published its unaudited, unconsolidated financial results for the nine months ended 31 December 2014, which have been subjected to a limited review by the Issuer's auditors. The following financial information is derived from the Issuer's unaudited, unconsolidated financial results for the nine months ended 31 December 2014 and has been presented in a summarised manner for the convenience of investors, and is qualified in its entirety by reference to such financial results, including the notes thereto on pages F-6 to F-21 of this Offering Circular. The following information is not indicative of future operating results and should not be relied upon as being so indicative. The unaudited, unconsolidated financial results of the Issuer for the nine months ended 31 December 2014 have been prepared in accordance with Indian GAAP, which differs in certain respects from IFRS. A summary of the differences between the Indian GAAP (as applicable to the Issuer) and IFRS is contained in this Offering Circular, see "*Summary of Significant Differences Between Indian GAAP and IFRS*".

Highlights of the Issuer's financial results for the nine months ended 31 December 2014

- The Issuer's total loan assets[1] increased to ₹2,052,106.8 million as of 31 December 2014 from ₹1,892,312.4 million as of 31 March 2014. The Issuer's total loans sanctioned pending disbursement (net of any loan sanctions cancelled) was ₹1,721,680 million as of 31 December 2014, as compared to ₹1,563,900 million as of 31 March 2014.

- The Issuer's total income[2] and profit after tax[3] increased to ₹186,713.0 million and ₹43,985.7 million, respectively, for the nine months ended 31 December 2014 from ₹159,013.7 million and ₹40,063.4 million, respectively, for the nine months ended 31 December 2013.

- The Issuer had gross NPAs of ₹ 19,793.3 million and ₹12,277.1 million as of 31 December 2014 and 31 March 2014, respectively, which represented 0.96 per cent. and 0.65 per cent. of the Issuer's total loan assets, respectively, as of such dates.

- The Issuer's profit after tax as a percentage of average total assets and as a percentage of average net worth were 2.90 per cent.* and 21.62 per cent.*, respectively, for the nine months ended 31 December 2014, as compared to 3.00 per cent.* and 22.75 per cent.*, respectively, for the nine months ended 31 December 2013.

- The Issuer's net worth as of 31 December 2014 was ₹319,343.8 million.

- The Issuer's capital adequacy ratio was 21.05 per cent. and 20.10 per cent. as of 31 December 2014 and 31 March 2014 respectively.

- The Issuer's net interest margin was 4.94 per cent.* for the nine months ended 31 December 2014 as compared to 4.91 per cent.* for the nine months ended 31 December 2013.

* *Ratios are annualised.*

1 Note: long-term loans and advances + current maturities of long-terms loans + short-term loans

2 Note: total income from operations + other income

3 Note: net profit from ordinary activities after tax

MANAGEMENT

Board of Directors

Under its Articles of Association, the Issuer is required to have not less than three directors and not more than 12 directors. The Issuer currently has seven Directors on its Board, of which three are Independent Directors.

The following table sets forth details regarding the Issuer's Board as of the date of this Offering Circular.

S. No.	Name, designation, DIN	Age (years)	Address	Other directorships
1.	**Mr. Mukesh Kumar Goel** *Chairman and Managing Director with additional charge as Director (Commercial)* DIN: 00239813	58	278D, Pocket-2 Mayur Vihar Phase 1 Delhi - 110091 India	• PTC India Limited; • PFC Consulting Limited; • PTC India Financial Services Limited; • PFC Green Energy Limited; and • PFC Capital Advisory Services Limited.
2.	**Mr. Radhakrishnan Nagarajan** *Director (Finance)* DIN: 00701892	57	Flat No. 3C Pocket A - 10 Kohinoor Apartments Kalkaji Extension New Delhi - 110019 India	• Coastal Tamil Nadu Power Limited; • Coastal Maharashtra Mega Power Limited; • PFC Consulting Limited; • PFC Green Energy Limited; • PFC Capital Advisory Services Limited; • Deoghar Mega Power Limited; and • Cheyyur Infra Limited.
3.	**Mr. A. K. Agarwal** *Director (Projects)* DIN: 01987101	58	550 Pocket - C SFS Flats, Sheikh Sarai Phase - I New Delhi - 110017 India	• Coastal Karnataka Power Limited; • Chhattisgarh Surguja Power Limited; • PFC Consulting Limited; • PFC Green Energy Limited; • Orissa Integrated Power Limited; • Sakhigopal Integrated Power Company Limited; • Ghogarpalli Integrated Power Company Limited; • Tatiya Andhra Mega Power Limited; • Odishalnfrapower Limited; and • PFC Capital Advisory Services Limited.
4.	**Mr. Badri Narain Sharma** *Government Nominee Director* DIN: 01221452	54	A-6, Tower No. 4 New Moti Bagh New Delhi - 110021 India	• Rural Electrification Corporation Limited.
5.	**Mr. J. N. Prasanna Kumar** *Independent Director* DIN: 00200233	64	No. 209, HMT Layout 6th D Main, R.T. Nagar Bangaluru - 560032 India	• Catalyst Profin Consultant Private Limited.

S. No.	Name, designation, DIN	Age (years)	Address	Other directorships
6.	**Mr. Vijay Mohan Kaul** *Independent Director* DIN: 00015245	62	485, Mandakini Enclave New Delhi - 110019 India	• Uttar Haryana BijliVitran Nigam Limited; and • Jyoti Structures Limited.
7.	**Mr. Yogesh Chand Garg** *Independent Director* DIN: 01768635	50	R-12/34, Raj Nagar Ghaziabad Uttar Pradesh India	• Jeenesh Consultants Private Limited; • Metatech Infotech Private Limited; • Welcome Infratech Private Limited; • Shourya Infracon Private Limited; • Laxmi Narayan Promoters (P) Limited; and • Adilac Healthtech Private Limited.

All the directors of the Issuer are Indian nationals and none of the Issuer's Directors are related to each other.

Understanding with major shareholders pursuant to which the Issuer's Director(s) were appointed

All the Issuer's Directors are appointed by the President of India acting through the MoP, who is the Issuer's major shareholder holding 72.80 per cent. of the paid-up equity share capital of the Issuer as of the date of this Offering Circular. Besides this, there are no arrangements or understanding with major shareholders, customers, suppliers or others, pursuant to which any of the Directors were selected as a Director or member of the senior management.

Brief Biographies of the Issuer's Directors

(1) Mr. Mukesh Kumar Goel

Mr. Mukesh Kumar Goel, 58 years, is the Chairman and Managing Director with additional charge as Director (Commercial). He joined the Board on 27 July 2007 and was appointed Chairman and Managing Director with effect from 22 January 2015. He holds a bachelor's degree in technology (electrical engineering) from the Kanpur University. Mr. Goel has over three decades of experience in the power sector. Prior to joining the Issuer on 22 November 1988, he worked with NHPC Limited. He has been involved in initiating reforms in state power sectors, steering the "Restructured Accelerated Power Development and Reform Programme" of the GoI and heading, amongst others, the human resource functioning, information technology and legal activities of the Issuer.

(2) Mr. Radhakrishnan Nagarajan

Mr. Radhakrishnan Nagarajan, 57 years, is the Director (Finance) and is responsible for all functions of the finance division. He joined the Board on 31 July 2009. He holds a bachelor's degree in commerce from the University of Madras and is a qualified chartered accountant, cost accountant and a certified associate of the Indian Institute of Bankers. Mr. Nagarajan has more than three decades of experience in the financial sector, having worked with Andhra Bank and the Issuer in various positions. He was also the President of the Project Monitoring Society in New Delhi and is currently the treasurer of the World Energy Council, India. He joined the Issuer in 1995 and had held the position of Executive Director (Finance) from January 2008 until he joined the Board in 2009. During his tenure as Executive Director (Finance), he oversaw various business activities relating to the Issuer including its initial public offer, resource mobilisation, banking, treasury, disbursement, recovery, internal audit, power exchange, asset liability and risk management.

(3) Mr. A. K. Agarwal

Mr. A. K. Agarwal, 58 years, is the Director (Projects) and is responsible for the appraisal, sanction and disbursement of financing proposals in the state and private sectors. He joined the Board on 13 July 2012. He holds a B.E. (Elect.) degree with honours degree from the Motilal Nehru National Institute of Technology, Allahabad. He also serves as a director on the board of Energy Efficiency Services Limited and has more than 32 years of experience in the power industry. Previously he was employed at the Bharat Heavy Electricals Limited where he was responsible for the commissioning of thermal plants of up to 210MW at various project sites in Northern India. He was also the chief executive officer at PFC Green Energy Limited and is currently the Chairman at Energy Efficiency Services Ltd. He has been with the Issuer for over 22 years and has been actively involved, amongst others, in thermal appraisal, entity appraisal of private sector projects and fixing of sanction and disbursement targets in addition to overseeing the Tadri and Krishnapattnam UMPP.

(4) Mr. B. N. Sharma

Mr. B. N. Sharma, 54 years, is the Government Nominee Director. He joined the Board on 23 August 2012. He holds a bachelor's degree and a master's degree in financial management. He has been an Indian Administrative Service officer since 1985 in the Rajasthan cadre and has been in the civil services for approximately 27 years. He is currently the Joint Secretary of the MoP, where he oversees rural electrification and distribution. Prior to joining the MoP, he served in various capacities, including as principal secretary in the Medical & Health and Family Welfare Department, Rajasthan, as commissioner of Commercial Taxes Department of Rajasthan, as managing director of Rajasthan State Industrial and Investment Corporation Limited, as chairman and managing director of Rajasthan Financial Corporation, as secretary of finance (expenditure) department and as secretary elementary, Secondary & Sanskrit Education Department in Rajasthan. He has also worked as collector and district magistrate of Jaipur, Alwar and Tonk districts in Rajasthan, as chairman and managing director of Jaipur Vidhyut Vitran Nigam Limited and as secretary of the Rajasthan State Electricity Board. Mr. Sharma has also served as a director on the boards of various companies including Rajasthan Drugs and Pharmaceuticals Limited, Rajasthan Medical Services Corporation Limited, Rajasthan Small Industries Corporation Limited, Rajasthan Asset Management Company Private Limited, Rajasthan Trustee Company Private Limited and Rajasthan Electronics and Instruments Limited.

(5) Mr. J. N. Prasanna Kumar

Mr. J. N. Prasanna Kumar, 64 years, is an Independent Director. He joined the Board on 22 December 2012. He holds a bachelor's degree in commerce from the University of Mysore and is a qualified chartered accountant. Previously Mr. Kumat was the director (finance) of Neyveli Lignite Corporation Limited, where he also held the position of chairman and managing director for six months. He is presently a partner at G.P Ramachandran and Associates, a chartered accountants firm in Bangalore.

(6) Mr. Vijay Mohan Kaul

Mr. Vijay Mohan Kaul, 62 years, is an Independent Director. He joined the Board on 24 June 2013. He holds a bachelor's degree in mechanical engineering from the Indian Institute of Technology, New Delhi and a master's degree in business administration from the Indira Gandhi National Open University. Mr. Kaul has over 38 years of experience in multidisciplinary functions such as the management of power and transmission projects, joint ventures, contract management, quality assurance and human resource management and has previously worked for such organisations as the Power Grid Corporation Of India Limited, NTPC Limited, Engineers India Limited and others. Previously he was the director (personnel) of Power Grid Corporation of India Limited.

(7) Mr. Yogesh Chand Garg

Mr. Yogesh Chand Garg, 50 years, is an Independent Director. He joined the Board on 22 August 2013. He holds a bachelor's degree in commerce and law from the Choudhary Charan Singh University and is a qualified chartered accountant having over 25 years of experience. In addition to his current position, he also holds directorships in various companies and educational institutes.

Borrowing powers of the Board

Subject to the Memorandum of Association and Articles of Association of the Issuer and pursuant to the shareholders resolution dated 20 June 2014, under section 180(1)(c) of the Companies Act, 2013, the Issuer's Board is authorised to borrow up to a total amount of ₹4,000,000 million in Rupees and in any foreign currency equivalent to U.S.$8 billion, for the purpose of the business of the Issuer, notwithstanding that the amount to be borrowed and amount already borrowed by the Issuer may exceed the aggregate of the paid-up capital and free reserves of the Issuer.

Details of Appointment and Term of the Issuer's Directors

S. No.	Name of Director	MoP Order No.	Term
1.	Mr. Mukesh Kumar Goel	No. 8/1/2006-PFC dated 27 July 2007	Five years with effect from the date of taking charge of the post or until the date of superannuation or until further orders, whichever is earlier. This terms was extended by the GoI, by the MoP's letter no. 8/4/2010 PFC Desk dated 12 December 2012, until 30 September 2016 or until further orders, whichever is earlier. Also in accordance with MoP order no. 8/4/2012-PFC, dated 13 September 2013, he assumed additional charges as the Chairman and Managing Director. In accordance with MoP order no. 8/4/2013-PFC, dated 22 January 2015 he assumed the charge of Chairman and Managing Director with effect from 22 January 2015 for a period of five years from the date of assumption of charge or until the date of his superannuation or until further orders, whichever is the earliest. Subsequently, in accordance with MoP order no. 8/4/2013-PFC, dated 10 February 2015, he assumed additional charges as Director (Commercial) with effect from 22 January 2015 for a period of three months or until a regular incumbent is appointed or until further orders in this regard, whichever is earlier.
2.	Mr. Radhakrishnan Nagarajan	No. 8/1/2008-PF dated 31 July 2009	Five years with effect from the date of taking charge of the post or until the date of superannuation or until further orders, whichever is earlier. A proposal for Mr. Nagarajan's tenure beyond 30 July 2014 has been forwarded to the MoP and, as of the date of this Offering Circular, the Issuer had not received a response from the MoP.

S. No.	Name of Director	MoP Order No.	Term
3.	Mr. A. K. Agarwal	No. 8/5/2011-PF Desk dated 13 July 2012	Five years with effect from the date of taking charge of the post or until the date of superannuation or until further orders, whichever is earlier.
4.	Mr. Badri Narain Sharma	No.8/1/2007-PF Desk dated 28 August 2012	With effect from 28 August 2012 and until further orders.
5.	Mr. J. N. Prasanna Kumar	No. 8/1/2012-PF Desk dated 26 November 2012	Three years with effect from 22 December 2012 or until further orders, whichever is earlier.
6.	Mr. Vijay Mohan Kaul	No. 8/1/2012-PF Desk dated 24 June 2013	Three years with effect from 24 June 2013 or until further orders, whichever is earlier.
7.	Mr. Yogesh Chand Garg	No. 8/1/2012-PF Desk dated 22 August 2013	Three years with effect from 22 August 2013 or until further orders, whichever is earlier.

Except for the Issuer's full time Directors, who are entitled to statutory benefits and post retirement medical benefits on termination of their employment with the Issuer, no Director is entitled to any benefit on termination of his employment with the Issuer.

Remuneration of the Directors

A. Managing Director and full time Directors:

The following table sets forth the details of remuneration paid by the Issuer to the Chairman and Managing Director and the full time Directors during fiscal 2014:

(In ₹ millions)

Name of the Director	Salary including benefits	Company contribution to Provident Fund and other welfare funds	Total
Mr. Satnam Singh*	5.29	0.18	**5.47**
Mr. Mukesh Kumar Goel	5.60	0.40	**6.0**
Mr. Radhakrishnan Nagarajan	4.72	0.33	**5.05**
Mr. A. K. Agarwal	4.12	0.36	**4.48**

* *Benefits paid until 13 September 2013*

B. Independent Directors

The Independent Directors do not have any material pecuniary relationship or transaction with the Issuer. However, pursuant to the Board meeting dated 28 September 2011, Independent Directors are entitled to sitting fees of ₹20,000 for attending each meeting of the Board and the Committees of the Board, which are within the maximum ceiling prescribed by the Ministry of Corporate Affairs.

The Directors were paid sitting fees for attending the meetings of the Board of Directors and committees of the Board, as set forth under the following table, during fiscal 2014:

(In ₹millions)

	Sitting Fee		
Name of the Independent Director	**Board Meetings**	**Committee Meetings**	**Total**
Mr. Ajit Prasad	0.10	0.26	**0.36**
Mr. K. M. Sahni	0.16	0.34	**0.50**
Mr. J. N. Prasanna Kumar	0.22	0.34	**0.56**
Mr. Vijay Mohan Kaul	0.16	0.16	**0.32**
Mr. Yogesh Chand Garg	0.14	0.16	**0.30**

Mr. B. N. Sharma, being a nominee of the GoI, is not entitled to remuneration or sitting fee or any other remuneration from the Issuer.

Details of terms and conditions of appointment of the Issuer's Chairman and Managing Director and the full time Directors

The MoP prescribes the terms and conditions of appointment of the Issuer's full time Directors. The Issuer prescribes the terms and conditions of employment for each of the full time Directors in consonance with the terms and conditions prescribed by the MoP. The terms and conditions governing the appointment of Mr. Mukesh Kumar Goel, Mr. Radhakrishnan Nagarajan and Mr. Anil Kumar Agarwal are set forth below.

Mr. Mukesh Kumar Goel

Mr. Mukesh Kumar Goel was appointed as Chairman and Managing Director with effect from 22 January 2015, in accordance with MoP order no. 8/4/2013-PFC, dated 22 January 2015 for a period of five years from the date of assumption of charge or until the date of his superannuation or until further orders, whichever is the earliest.

Subsequently, in accordance with MoP order no. 8/4/2013-PFC, dated 10 February 2015, he assumed additional charges as Director (Commercial) with effect from 22 January 2015 for a period of three months or until a regular incumbent is appointed or until further orders in this regard, whichever is earlier.

As of the date of this Offering Circular, the terms of Mr Goel's appointment as Chairman and Managing Director have not been issued by the MoP.

Mr. Radhakrishnan Nagarajan

Mr. Radhakrishnan Nagarajan was appointed as the Director (Finance and Financial Operations) (**F&FO**) pursuant to MoP Order No. 8/1/2008-PF, dated 31 July 2009. The designation of Mr. Nagarajan was renamed as Director (Finance) by MoP official memorandum number 9/13/2009-PF Desk dated 27 July 2010. The terms and conditions of his employment were prescribed by MoP Order No. 8/1/2008-PF, dated 6 December 2010 which was cancelled by MoP Order No. 8/1/2008-PF, dated 25 January 2011. Subsequently MoP Order No. 8/2/2012-PF Desk, dated 24 March 2011 issued new terms and conditions.

Some of the key terms and conditions amongst others as revised from time to time are as follows:

Term	Five years with effect from the date of appointment in the first instance or until the date of superannuation or until further orders, whichever is earlier and in accordance with the provisions of the Companies Act. The appointment may, however, be terminated even during this period by either side on three months notice or on payment of three months salary in lieu thereof. The proposal for extension of Mr. Nagarajan's tenure beyond 30 July 2014 has been forwarded to the MoP and, as of the date of this Offering Circular, a formal communication has not been received.
Pay	Basic pay of ₹75,000 per month in the revised scale of ₹75,000-3 per cent.-100,000 (Schedule B) from the date of assumption of office as Director (Finance).
Headquarters	His headquarters shall be in Delhi where the registered office/headquarters of the Issuer is located and he will be liable to serve in any part of the country at the Issuer's discretion.
Dearness Allowance	In accordance with new IDA scheme as stated in DPE office memoranda dated 26 November 2008 and 2 April 2009.
Housing	He is entitled to either of the following: (i) the Issuer making arrangements to provide suitable residential accommodation wherever it has built residential flats in industrial township or has purchased the same in the cities, else accommodation shall be arranged by taking the premises on lease basis at the headquarters of the Issuer. Furthermore, he can take his own house on self lease basis if he owns a house at the place of his posting, provided he executes a lease deed in favour of the Issuer; or (ii) he shall be entitled to HRA as per the rates indicated in DPE office memorandum dated 26 November 2008.
Annual Increment	Eligible to draw annual increment @ 3 per cent. on the anniversary date of appointment in the scale and further increments on the same date in subsequent years until the maximum pay scale is reached. On reaching the maximum of the scale, one stagnation increment equal to the rate of last increment drawn will be granted after completion of every two year period from the date of receiving a performance rating of 'good' or above. A maximum of three such increments will be granted.
Conveyance	Entitled to the facility of staff car for private use as per specified criteria.
Performance Related Pay	Eligible for approved performance related pay as per office memoranda dated 26 November 2008, 9 February 2009 and 2 April 2009.

Other Benefits and Perquisites/ Superannuation	The Board of Directors to decide the allowances and perquisites subject to a maximum ceiling of 50 per cent. of the basic pay as indicated in DPE office memoranda dated 26 November 2008 and 2 April 2009. Eligible for superannuation benefit based on approved schemes as per office memoranda dated 26 November 2008 and 2 April 2009.
Other Conditions	After retirement from the service of the Issuer, he shall not accept any appointment or post, whether advisory or administrative, in any firm or company whether Indian or foreign, with which the Issuer has or had business relations, within one year from the date of his retirement without prior approval of the GoI.
Conduct, Discipline and Appeal Rules	The conduct, discipline and appeal rules framed by the Issuer in respect of non-workmen category of staff would also *mutatis mutandis* apply to him with the modification that the disciplinary authority in his case would be the President. Further, the GoI also reserves the right not to accept the resignation of Mr. Radhakrishnan Nagarajan if the circumstances so warrant, i.e. if disciplinary proceedings are pending or a decision has been taken by the competent authority to issue a charge sheet to him.

Mr. Anil Kumar Agarwal

Mr. Anil Kumar Agarwal was appointed as the Director (Projects) pursuant to MoP order number. 8/5/2011-PFC Desk dated 13 July 2012. The terms and conditions of his employment are yet to be issued by the MoP, GoI.

Details of service contracts

There are no service contracts entered into by the Issuer with any Directors for provision of benefits or payments of any amount upon termination of employment.

Shareholding of the Issuer's Directors

The Articles of Association do not require the Directors to hold any qualification equity shares in the Issuer. The shareholding of the Directors as of 31 March 2014 in the Issuer is set out below:

Sr. No.	Name	No. of Equity Shares	Shareholding (%)
1.	Mr. M. K. Goel, Chairman and Managing Director with additional charge as Director (Commercial)	12,389	0.000938
2.	Mr. Radhakrishnan Nagarajan, Director (Finance)	26,869	0.002035
3.	Mr. A. K. Agarwal, Director (Projects)	25,859	0.001958

Bonus or profit sharing plan of the Directors

There is no bonus or profit sharing plan in place for the Directors.

Interests of Directors

All the Issuer's Directors may be deemed to be interested to the extent of remuneration and fees payable to them for services rendered as Directors of the Issuer such as attending meetings of the Board or a committee thereof and to the extent of other reimbursements of expenses payable to them under the Issuer's Articles of Association.

Some of the Issuer's Directors also hold equity shares in the Issuer in their individual capacity and are interested to the extent of any dividend payable to them in respect of the same.

Except as stated in this Offering Circular and the section titled *"Financial Statements — Other Notes on Accounts — Related party disclosures"*, the Issuer's Directors do not have any other interest in its business. Furthermore, the Issuer's Directors have no interest in any property acquired by the Issuer within two years of the date of filing of this Offering Circular.

Changes in the Issuer's Board of Directors in the last three years

The changes in the Issuer's Board in the last three years are as follows:

S. No.	Name	Date of Appointment	Date of Cessation	Reason
1.	Mr. M. K. Goel	22 January 2015	—	Assumed additional charges of Director (Commercial)
2.	Mr. Badri Narayan Sharma	28 August 2012	—	Appointment
3.	Mr. Devender Singh	5 March 2009	28 August 2012	Withdrawal of nomination by the GoI
4.	Mr. Anil Kumar Agarwal	13 July 2012	—	Appointment
5.	Mr. Rajeev Sharma	9 March 2009	29 November 2011	Resignation
6.	Mr. Krishna Mohan Sahni	31 December 2010	30 December 2013	Completion of tenure
7.	Mr. Ajit Prasad	8 October 2010	7 October 2013	Completion of tenure
8.	Mr. Suresh Chand Gupta	25 February 2010	24 February 2013	Completion of tenure
9.	Mr. P. Murali Mohana Rao	22 December 2009	21 December 2012	Completion of tenure
10.	Mr. Ravindra Harshad rai Dholakia	22 December 2009	21 December 2012	Completion of tenure
11.	Mr. J. N. Prasanna Kumar	22 December 2012	—	Appointment
12.	Mr. V. M. Kaul	24 June 2013	—	Appointment
13.	Mr. Satnam Singh	1 August 2008	13 September 2013	Completion of tenure
14.	Mr. Yogesh Chand Garg	22 August 2013	—	Appointment

Corporate Governance

The Issuer's equity shares are listed on the Stock Exchanges and the Issuer has adopted corporate governance practices in accordance with Clause 49 of the Equity Listing Agreements, entered into with the Stock Exchanges.

As of the date of this Offering Circular, the Issuer is in compliance with the requirements of Clause 49 of the Equity Listing Agreements in relation to the composition of its Board of Directors. Presently, the Issuer's Board has seven directors, of which three are Independent Directors.

The Issuer has constituted an Audit Committee and a Shareholders' and Investor Grievance Committee as per the requirements of Clause 49 of the Equity Listing Agreements. Whilst the constitution of Remuneration Committee is not mandatory under the Equity Listing Agreements, the Issuer has constituted a Remuneration Committee in accordance with the guidelines issued by DPE which are applicable to all central public sector enterprises.

The Issuer's Board functions either as a full Board or through various committees constituted to oversee specific operational areas.

Committees of the Board of Directors

The Issuer has constituted the Audit Committee and the Shareholders' and Investor Grievance Committee for compliance with corporate governance requirements in addition to other non-mandatory committees:

The Audit Committee was originally constituted pursuant to the Board resolution dated 30 January 2001. As of the date of this Offering Circular, it comprises of the following members:

Name of the Directors	Designation
Mr. J. N. Prasanna Kumar, Independent Director	Chairman*
Mr. Y. C. Garg, Independent Director	Member
Mr. A. K. Agarwal, Director (Projects)	Member

** Chairman to be elected amongst the members themselves.*

Scope and terms of reference: The scope and function of the Audit Committee is in accordance with the Companies Act including any rules made thereunder, the Equity Listing Agreements with the stock exchanges and the Department of Public Enterprises (**DPE**) Guidelines as amended from time to time.

The terms of reference of the Audit Committee include the following:

1) to investigate any activity within its terms of reference;

2) to seek information from any employee;

3) to obtain legal or other professional advice;

4) to secure attendance of outsiders with relevant expertise, if it is considered necessary;

5) to oversee the Issuer's financial reporting process and disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;

6) to recommend the appointment and removal of statutory auditors, fixation of audit fee and approval of payment to statutory auditors for any other services;

7) to review, with management, the annual financial statements before submission to the Board, focusing primarily on:

   - any change in accounting policy and practices and reasons for the same;
   - major accounting entries based on the exercise of judgment by the management;
   - qualifications in draft audit reports;
   - significant adjustments arising out of audit findings;
   - compliance with accounting standards;
   - compliance with listing and other legal requirements concerning financial statements;
   - disclosure of any related party transaction i.e. any transaction of the Issuer of material nature, with promoters or the management, their subsidiary or relatives etc. that may have potential conflict with the interest of the company at large; and
   - matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act;

8) to review with management, performance of statutory and internal auditor, the adequacy of internal control system and suggestion for implementation for the same;

9) to review the adequacy of internal audit function including the structure of the internal audit department, staffing and seniority of the officials heading the department, reporting structure coverage and frequency of internal audit;

10) to discuss with internal auditor any significant findings and follow up thereon;

11) to review the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control system of a material nature and reporting the matter to the Board;

12) to discuss with the statutory auditor before the audit commences the nature of scope of the audit as well as post-audit discussion to ascertain any areas of concern;

13) to review the Issuer's financial and risk management policy;

14) to look into the reasons for substantial defaults in the payment to the depositors, debentures holders, shareholders and creditors;

15) to periodically discuss the internal control system with the auditors, the scope of audit including the observations of the auditors and review the quarterly, half yearly and annual financial statements before submission to the Board and ensure compliance with the internal control system;

16) to approve payments to statutory auditors for any other services rendered by statutory auditors;

17) to review the management discussion and analysis of financial condition and results of operations;

18) to review the functioning of the whistle blowing mechanism, in case the same is formulated;

19) to formulate the whistle blower policy and recommend the same to Board for approval and review the functioning of the whistle blower mechanism and also to protect the whistle blowers;

20) to review the follow up action on the audit observations of the CAG audit;

21) to review the follow up action taken on the recommendations of the Committee on Public Undertakings of the Parliament; and

22) to review, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.

b. ***Stakeholders Relationship and Shareholders' and Investor Grievance Committee***

The Stakeholders Relationship and Shareholders' and Investor Grievance Committee was constituted pursuant to the Board resolution dated 6 July 2006. As of the date of this Offering Circular, the Shareholders' and Investor Grievance Committee comprises of the following members:

Name of the Directors	Designation*
Mr. J. N. Prasanna Kumar, Independent Director	Chairman*
Mr. R. Nagarajan, Director (Finance)	Member
Mr. A. K. Agarwal, Director (Projects).	Member

* *The Issuer's Secretary shall be the Secretary of the Shareholder's and Investor Grievance Committee.*

Scope and terms of reference:

To oversee the redressal of shareholders' and investors' complaints and grievances pertaining to share transfers, non-receipt of annual reports, dividend payments, issue of duplicate certificates, transmission (with or without legal representation) of shares and other miscellaneous complaints in accordance with the Companies Act including any rules made thereunder, the Equity Listing Agreements with the stock exchanges and the DPE Guidelines, as amended from time to time.

c. Nomination, Remuneration and Human Resources Committee

The Remuneration Committee was constituted pursuant to the Board resolution dated 17 April 2009. As of the date of this Offering Circular, it comprises of the following members:

Name of the Directors	Designation
Mr. V. M. Kaul, Independent Director	Chairman
Mr. Y. C. Garg, Independent Director.	Member
Mr. J. N. Prasanna Kumar, Independent Director	Member
Mr. M. K. Goel, Chairman and Managing Director with additional charge as Director (Commercial)	Permanent Invitee
Mr. Radhakrishnan Nagarajan, Director (Finance)	Permanent Invitee

Scope and terms of reference:

To review and recommend adoption or modification of various human resources policies to the Board, decide the quantum of annual bonus or variable pay pool and policy for its distribution across the executives and non-unionised supervisors, in accordance with the Companies Act including any rules made thereunder, the Equity Listing Agreements with the stock exchanges and the DPE Guidelines, as amended from time to time.

d. Loans Committee

The Loans Committee was constituted pursuant to the Board resolution dated 31 May 1989. As of the date of this Offering Circular, it comprises of the following members:

Name of the Directors	Designation
Mr. M. K. Goel, Chairman and Managing Director with additional charge as Director (Commercial)	Chairman
Mr. Radhakrishnan Nagarajan, Director (Finance)	Member
Mr. A. K. Agarwal, Director (Projects)	Member
Mr. B. N. Sharma, Government Nominee Director	Member

Scope and terms of reference:

Pursuant to the delegation of powers to the Loans Committee, it has the power to (i) sanction financial assistance, including enhancement within the overall policy framed by the Board up to ₹5,000 million for individual schemes or projects, subject to an overall ceiling of ₹70,000 million in a financial year; (ii) relax eligibility and other conditions of sanction as mentioned in the operational policy statement and other policy framed by the Board in respect of financial assistance up to ₹5,000 million for individual schemes/ projects, including the loans already sanctioned; and (iii) sanction lease assistance within the overall policy framed by Board above ₹500 million and up to ₹5,000 million.

e. Committee of Functional Directors

The Committee of Functional Directors was originally constituted pursuant to the Board resolution dated 18 August 2000, and was subsequently renamed to its present name pursuant to the Board resolution dated 3 December 2007. As of the date of this Offering Circular, it comprises of the following members:

Name of the Directors	Designation
Mr. M. K. Goel, Chairman and Managing Director with additional charge as Director (Commercial)	Chairman
Mr. Radhakrishnan Nagarajan, Director (Finance)	Member
Mr. A. K. Agarwal, Director (Projects)	Member

Scope and terms of reference:

Pursuant to the delegation of powers to the Committee of Functional Directors, it has the power to (i) sanction financial assistance, including enhancement within the overall policy framed by the Board up to ₹1,000 million for individual schemes or projects, subject to an overall ceiling of ₹40,000 million in a financial year; (ii) relax eligibility and other conditions of sanction as mentioned in the operational policy statement and other policy framed by the Board in respect of financial assistance up to ₹1,000 million for individual schemes/ projects, including the loans already sanctioned; and (iii) sanction lease assistance within the overall policy framed by Board above ₹200 million and up to ₹500 million.

Risk Management Committee

The Risk Management Committee was constituted pursuant to the Board resolution dated 12 August 2005. As of the date of this Offering Circular, it comprises of the following members:

Name of the Directors	Designation*
Mr. M. K. Goel, Chairman and Managing Director with additional charge as Director (Commercial)	Chairman
Mr. Radhakrishnan Nagarajan, Director (Finance)	Member
Mr. A.K. Agarwal, Director (Projects)	Member

* *The unit head of CRM unit to be the Secretary of the Risk Management Committee.*

Scope and terms of reference:

To monitor various risks, examine various risk management policies and practices and initiate action for mitigation of risks arising in the operation and other related matters.

f. Committee of Directors for Investment in Initial Public Offerings of Central Power Sector Undertakings

The Committee of Directors for Investment in IPOs of Central Power Sector Undertakings was constituted pursuant to the Board resolution dated 17 August 2007. As of the date of this Offering Circular, it comprises of the following members:

Name of the Directors	Designation
Mr. M. K. Goel, Chairman and Managing Director with additional charge as Director (Commercial)	Chairman
Mr. Radhakrishnan Nagarajan, Director (Finance)	Member
Mr. J. N. Prasanna Kumar, Independent Director	Member
Mr. A. K. Agarwal, Director (Projects)	Member

Scope and terms of reference:

To approve, amongst others, equity investments in initial public offerings of central power sector undertakings and also other related matters such as exit/sale decisions including the number of shares to be applied through initial public offerings and individual investment limits in each company on a case to case basis.

g. Ethics Committee

The Ethics Committee was constituted pursuant to the Board resolution dated 10 November 2010. As of the date of this Offering Circular, it comprises of the following members:

Name of the Directors	Designation
Mr. M. K. Goel, Chairman and Managing Director with additional charge as Director (Commercial)	Chairman
Mr. V. M. Kaul, Independent Director	Member
Mr. Y. C. Garg, Independent Director	Member

Scope and terms of reference:

The responsibilities of the Ethics Committee include the following:

1) to ensure that ethical business practices are being followed in managing the Issuer's affairs;

2) to ensure that all business dealings with clients and suppliers are carried out with transparency and integrity and that the Issuer's interests are not compromised;

3) to ensure that Issuer's business and affairs are carried out in accordance with the applicable laws, rules and regulations;

4) to ensure that all the disclosures made by the Issuer are full, fair, accurate and timely and do not harm, defame or discredit the Issuer;

5) to monitor the implementation of the "Code of Conduct"; and

6) to periodically review the "Code of Conduct" and recommend additions or deletions in the code to the Board.

h. Corporate Social Responsibility and Sustainable Development Committee

The Corporate Social Responsibility and Sustainable Development Committee (**CSR & SD Committee**) was constituted pursuant to a Board resolution dated 10 October 2011. As of the date of this Offering Circular, it comprises of the following members:

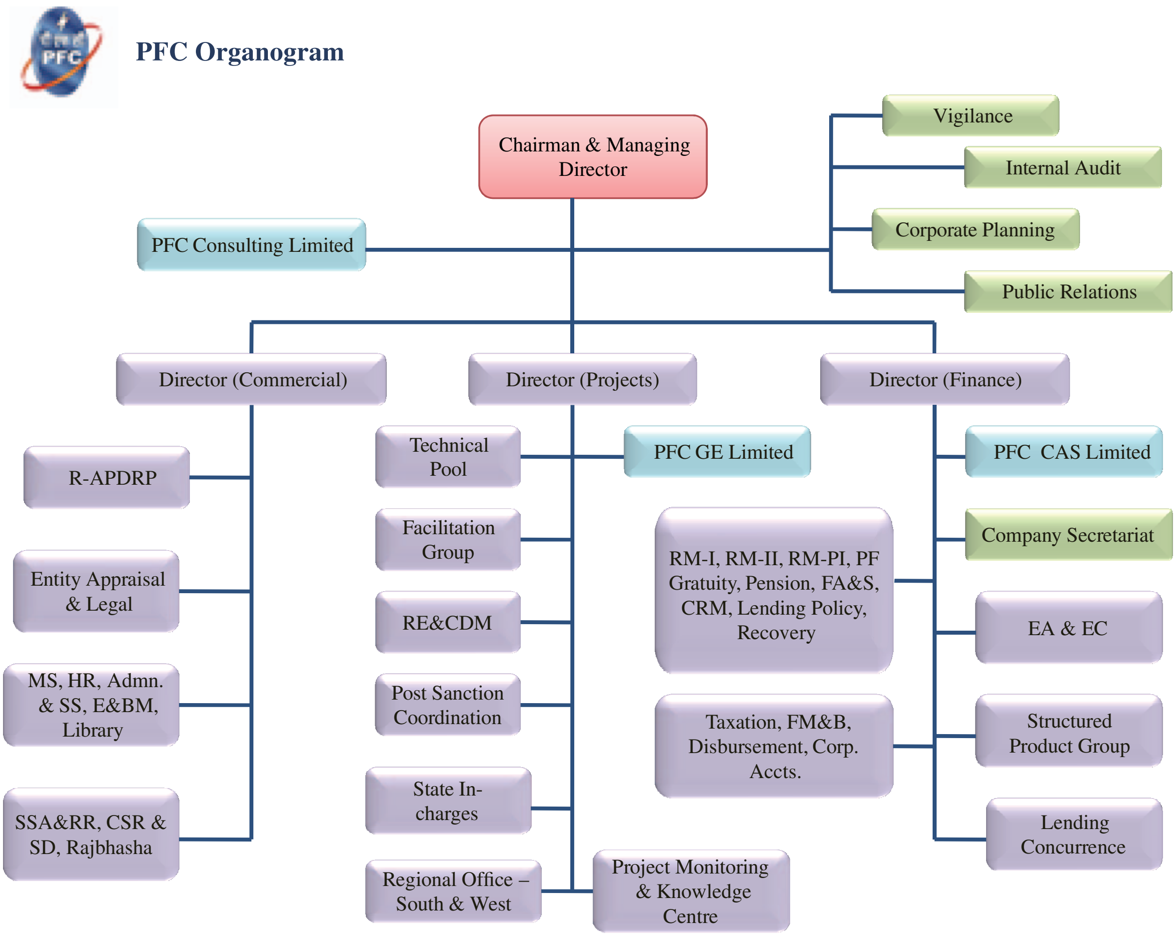
Name of the Directors	Designation
Mr. Y. C. Garg, Independent Director	Chairman
Mr. V. M. Kaul, Independent Director	Member
Mr. A. K. Agarwal, Director (Projects)	Member

The CSR & SD Committee is responsible for overseeing the Issuer's corporate social responsibility (**CSR**) and sustainable development activities and to make recommendations to the Board for taking up various CSR and sustainable development projects.

Payment or benefits to officers of the Issuer

The Issuer follows a pay structure in conformity with the guidelines issued by DPE from time to time. The Issuer also has in place various incentive schemes as a part of its compensation strategy to increase productivity and reward performance. Monetary benefits are paid to the employees on the basis of their individual and group performance. Furthermore, except certain post retirement medical benefits and statutory benefits on superannuation, no officer of the Issuer is entitled to any benefit on superannuation.

Management Organisation Structure



Abbreviations:

R-APDRP: Restructured-Accelerated Power Development & Reforms Programme; MS: Management System; HR: Human Resources; SSA&RR: State Sector Analysis and Reform & Review; E&BM: Estate and Building Management; CSR & SD: Corporate Social Responsibility & Sustainable Development; RE & CDM: Renewable Energy & Clean Development Mechanism; PFC GE Ltd.: PFC Green Energy Limited; RM-I: Resource Mobilization I; RM-II: Resource Mobilization II; RM-PI: Resource Mobilization- Public Issue; PF: Provident Fund; FA&S: Financial Analysis & Systems; CRM: Corporate Risk Management; FM & B: Fund Management and Banking; Corp. Accts.: Corporate Accounts; PF CAS Ltd.: PFC Capital Advisory Services Ltd.; EA & EC: Establishment Accounts & Establishment Concurrence.

The information in this section has not been independently verified by the Issuer, the Arrangers or the Dealers, or any of their respective affiliates or advisors. The information may not be consistent with other information compiled by third parties within or outside India. Industry sources and publications generally state that the information contained therein has been obtained from sources it believes to be reliable, but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Industry and Government publications are also prepared based on information as of specific dates and may no longer be current or reflect current trends. Industry and Government sources and publications may also base their information on estimates, forecasts and assumptions which may prove to be incorrect. Accordingly, investment decisions should not be based on such information. Figures used in this section are presented as in the original sources and have not been adjusted, restated or rounded off for presentation in this Offering Circular.

The Indian Economy

India is the world's largest democracy by population with an estimated population size of 1.24 billion as of July 2014 *(Source: https://www.cia.gov/library/publications/the-world-factbook/geos/in.html).* India's 2013 Gross Domestic Product (**GDP**) in purchasing power parity terms was U.S.$4.962 trillion. *(Source: https://www.cia.gov/library/publications/the-world-factbook/rankorder/2001rank.html).* This made India the fourth largest economy in the world after the United States, the European Union and China.

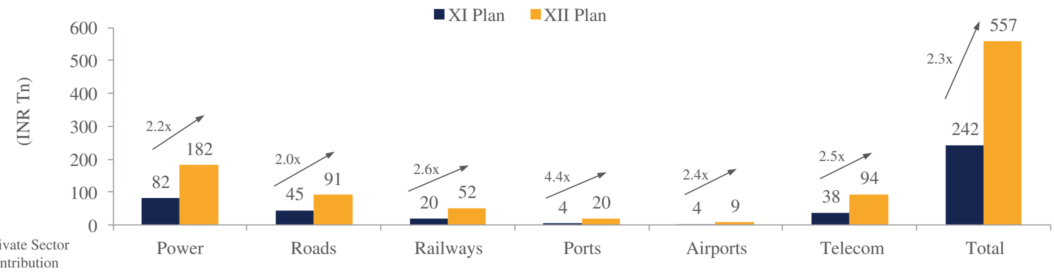
The Indian economy is among the fastest growing economies globally and has grown at an average rate of 6.8 per cent. per annum during fiscal years 2008 to 2012 *(Source: http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?page=1).* The following table compares India's real GDP growth rate with the real GDP growth rate of certain other countries:

Country	2008	2009	2010	2011	2012	2013
Australia	4.1	1.6	2.1	2.4	3.4	2.4
Brazil	5.2	(0.3)	7.5	2.7	0.9	2.3
China	9.6	9.2	10.4	9.3	7.8	7.7
France	(0.1)	(3.1)	1.7	2.0	0.0	0.3
Germany	1.1	(5.1)	4.0	3.3	0.7	0.5
India	9	8.5	10.3	6.6	4.7	4.4
Japan	(1.0)	(5.5)	4.7	(0.6)	2.0	1.5
Korea (south)	2.3	0.3	6.3	3.7	2.0	2.8
Malaysia	4.8	(1.5)	7.4	5.1	5.6	4.7
Russia	5.2	(7.8)	4.5	4.3	3.4	1.3
United Kingdom	(0.8)	(5.2)	1.7	1.1	0.3	1.8
United States	(0.3)	(2.8)	2.5	1.8	2.8	1.9

Source: http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?page=1
http://rbidocs.rbi.org.in/rdocs/AnnualReport/PDFs/86531.pdf
https://www.cia.gov/library/publications/the-world-factbook/rankorder/2003rank.html

The Indian economy is based on planning through successive five year plans that set out targets for economic development in various sectors, including the power sector. The draft 12th five-year plan (2012-13 to 2016-17), which is currently under implementation, emphasises a broad-based and inclusive approach to economic growth to improve the quality of life and reduce disparities across regions. There is consensus that infrastructure inadequacies, including insufficient power generation, would constitute a significant constraint in realising this development potential. To overcome this constraint, a programme of infrastructure investment, involving both public and private sectors, has been developed for the draft 12th five-year plan. Planned infrastructure expenditure for the draft 12th five year plan, which includes target power expenditure, was revised from 7.2per cent. to 8.2 per cent. of GDP representing an increase of about 130 per cent. from the planned expenditure for the 11th plan. In order to meet the intended level of planned infrastructure spending, the Government is encouragingprivate sector participation through public-private partnerships projects.

Planned Infrastructure Expenditure (11th and 12th Plans)



% Private Sector Contribution	Power	Roads	Railways	Ports	Airports	Telecom	Total
XIth Plan (2007-12)	48%	20%	5%	82%	64%	78%	37%
XIIth Plan (20012-17)	55%	33%	19%	87%	80%	92%	48%

(Source: Draft 12th Five Year Plan)

THE INDIAN POWER SECTOR

Brief History

The power sector in India has made rapid strides during the last six decades in the field of generation, transmission, distribution and utilisation of electricity. The installed generating capacity in the country in 1947 was meagre 1,362 MW which has since grown manifold to 259 GW at the end of January 2015. *(Source: Monthly All India Installed Generation Capacity Report January 2015, Ministry of Power)*

Post-colonisation, the GoI implemented the Indian Electricity Act 1910, the Electricity (Supply) Act, 1948, (the **Electricity Supply Act**) and the Electricity Regulatory Commissions Act, 1998 which together created the institutional framework under which the industry has developed. The intention of the Electricity Supply Act was to broaden the supply base in order to stimulate growth throughout the country.

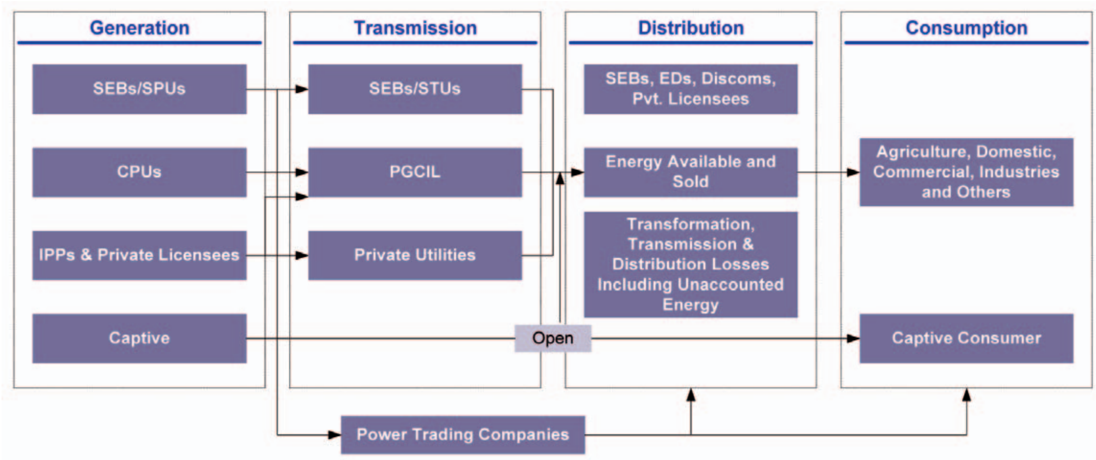
The Electricity Supply Act led to the creation of SEBs, state government agencies with the sole responsibility for generation, transmission and distribution of electricity within each state. Most states established SEBs; the smaller states and union territories established electricity departments to manage and operate power systems. The Electricity Act, 2003 (the **Electricity Act**), was passed in May 2003 to counter systemic deficiencies and to overcome the failures of the existing regime. Some of the important features of the Electricity Act included (a) license-free generation, (b) the creation of SERCs, (c) provision of open access in transmission and distribution (**T&D**), (d) the allowance of power trading and (e) rural electrification. Under the Electricity Act, several states have restructured their boards into separate entities for generation, transmission and distribution, while others are attempting to privatise the former SEB entities. *(Source: Historical Background of Legislative Initiatives, Ministry of Power)* as of the date of this Offering Circular.

Private sector participation in power generation has historically been low. However, since the 8th five year plan (1992-97), private sector participation in power generation has increased significantly and continues to increase further which is evident in the targets for the 12th five year plan.

Structure of the Indian Power Sector

The power industry in India can be divided into four distinct areas: generation, transmission, distribution and consumption. Power generation is handled by the Government and state governments with increasing participation from private players. Power transmission is handled by the Government and state governments, with limited private sector participation. As of the date of this Offering Circular power distribution is carried out by various state distribution companies (**Discoms**) as well as by private Discoms and licensees in some circles.

The following diagram depicts the structure of the Indian power industry for generation, transmission, distribution and consumption:



Legend:

CPUs	central power utilities
EDs	electricity departments
IPPs	independent power producers
PGCIL	Powergrid Corporation of India Limited
SPUs	state power utilities
STUs	state transmission utilities

Regulatory Overview

In India, control over the development of the power industry is shared between the central and the state governments. The MoP is the highest authority governing the power industry in India and works in close coordination with the CEA and the CERC.

The CEA, a statutory organisation constituted under the Electricity Supply Act, is the technical branch of the MoP assisting in technical, financial and economic matters relating to the electricity industry. The CEA is responsible for giving allowances for capital expenditure beyond a certain limit fixed by the Government from time to time, and is also responsible for the development of a sound, adequate and uniform power policy in relation to the control and utilisation of national power resources. The CERC, constituted under the Electricity Regulatory Commissions Act 1998, is an independent statutory body with quasi-judicial powers. Its main functions include the formulation of policy and the framing of guidelines with regard to electricity tariffs.

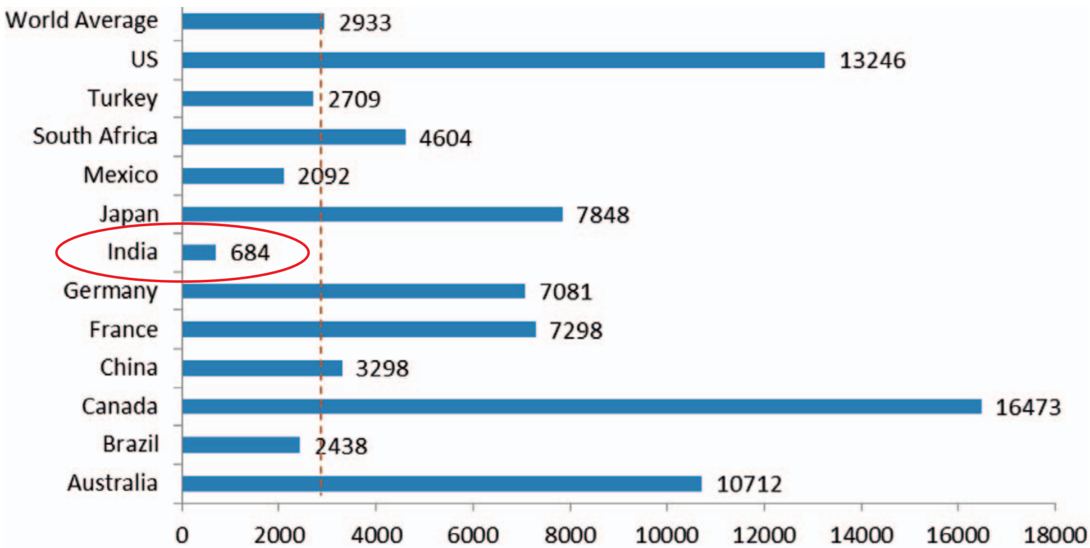
Several states have set up SERCs and these SERCs are engaged in regulating the purchase, distribution, supply and utilisation of electricity, tariffs and charges payable, as well as the quality of service. SEBs at state level are responsible for ensuring that the supply, transmission and distribution of electricity in their respective states are carried out in the most economical and efficient manner. *(Source: http://www.powermin.nic.in/ministry_of_power/statutory_bodies1.htm)*.

Power Demand in India

Rapid growth of the Indian economy places a heavy demand on electric power. Reforms in the power sector to make it efficient and more competitive have been under way for several years and, while there has been some progress, a shortage of power and a lack of access to power continues to be a major constraint on economic growth. The persistent shortages of electricity both for peak power and energy indicate the need for improving performance of the power sector in the country (*Source: website of the Planning Commission of India (the* ***Planning Commission***), http://planningcommission.nic.in).

Although power generation capacity has increased substantially in recent years, it has not kept pace with the continued growth of the Indian economy, despite low per capita electricity consumption. As set forth below, per capita consumption of power in India remains relatively low compared to other major economies:

Per Capita Electricity Consumption (KWh) in 2013



(Source: http://www.iea.org/publications/freepublications/publication/KeyWorld2013.pdf)

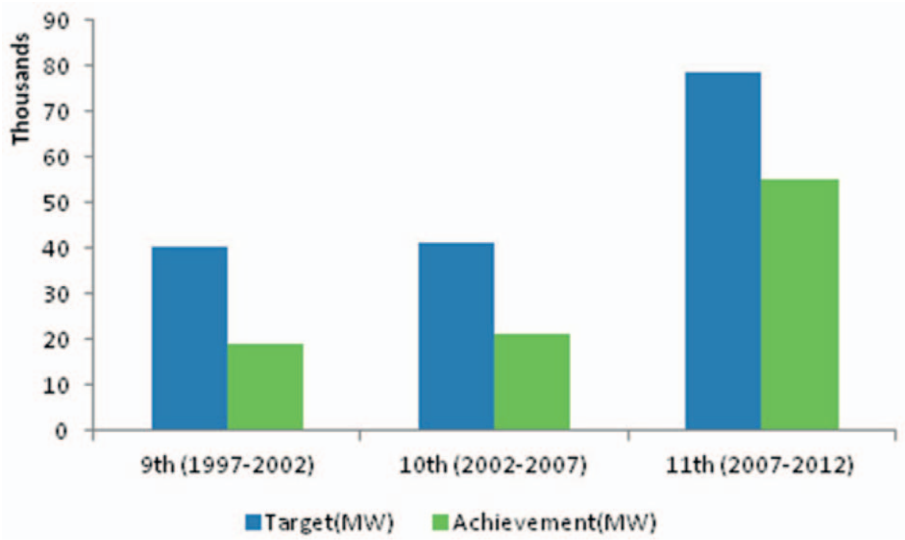
The low per capita consumption of electricity in India compared to the world average presents significant potential for sustainable growth in the demand for electric power in India. The total energy consumption in India is estimated to grow to approximately 1,256 million tonnes of oil equivalent by Fiscal 2030. (*Source: World Energy Outlook 2011, IEA*). This implies growth of 3.5 per cent. CAGR in India's energy requirement over the next 25-30 years, reflecting the huge potential for investments in the energy sector in India.

Power Supply in India

Historical Capacity Additions

Each successive five year plan of the GoI has had increased targets for the addition of power generation capacity. The energy deficit in India is a result of insufficient progress in the development of additional energy capacity. In three consecutive five year plans (the 8th, 9th, and 10th five year plans, covering fiscal 1992 to fiscal 2007), less than 55.0 per cent. of the targeted additional energy capacity level was added. However, in the 11th five year plan, only 69.7 per cent. of the targeted additional energy capacity level could be added.

Historical Capacity Additions



(Soucre: http://planningcommission.gov.in/plans/planrel/fiveyr/index9.html)

Current Capacity

Out of India's total installed capacity of 255,013.54 MW as of 30 November 2014, the installed capacity of central power sector utilities, state sector entities and private sector companies accounted for approximately 27.20 per cent., 37.15 per cent. and 35.65 per cent., respectively. The following table sets forth a summary of India's energy generation capacity as of 30 November 2014 in terms of fuel source and ownership:

(In MW)

India	Thermal	Nuclear	Hydro	RES*	Total
Central	63,467.50	0.00	27,482.00	3,803.70	94,753.20
State	62,690.50	0.00	2,694.00	27,888.50	93,273.00
Private	54,203.80	5,780.00	10,691.40	0.00	70,675.30
Total	**180,361.90**	**5,780.00**	**40,867.40**	**31,692.10**	**258,701.50**

**RES = Renewable energy sources*
(Source: CEA Monthly Review (January 2015))

Demand-Supply Imbalance in India

The Indian power sector has historically been beset by energy shortages which have been rising over the years. In fiscal 2014, peak energy deficit was 4.5 per cent. and total energy deficit was 4.2 per cent. *(Source: http://www.cea.nic.in/reports/yearly/lgbr_report.pdf)* The demand for electricity has consistently exceeded the supply, and the demand-supply gap has been widening. The following table provides the peak and normative shortages of power in India for the periods indicated:

	Peak Demand				Energy Requirement			
Period	Demand	Availability	Deficit		Demand	Availability	Deficit	
	(MW)	(MW)	(MW)	(per cent.)	(MU*)	(MU*)	(MU*)	(per cent.)
FY 2003	81,492	71,547	9,945	12.2	545,983	497,890	48,093	8.8
FY 2004	84,574	75,066	9,508	11.2	559,264	519,398	39,866	7.1
FY 2005	87,906	77,652	10,254	11.7	591,373	548,115	43,258	7.3
FY 2006	93,255	81,792	11,463	12.3	631,757	578,819	52,938	8.4
FY 2007	100,715	86,818	13,897	13.8	690,587	624,495	66,092	9.6
FY 2008	108,866	90,793	18,073	16.6	739,345	666,007	73,338	9.9
FY 2009	109,809	96,685	13,124	12.0	774,324	689,021	85,303	11.1
FY 2010	119,166	104,009	15,157	12.7	830,594	746,644	83,950	10.1
FY 2011	125,077	112,167	12,910	10.3	862,125	789,013	73,112	8.5
FY 2012	130,250	115,847	14,403	11.1	936,568	857,239	79,329	8.5
FY 2013	135,453	123,294	12,159	9.0	998,114	911,209	86,905	8.7
FY 2014	135,918	129,815	6,103	4.5	1,002,257	959,829	42,428	4.2
FY 2015*	145,592	139,005	6,587	4.5	726,444	698,127	28,317	3.9

** Until January 2015.*
(Source:

In the current fiscal year 2015 (until January 2015) peak energy deficit increased to 4.7 per cent., while total energy deficit slightly reduced to 3.8 per cent., the lowest level in the last ~10 years. (Source: *CEA Monthly Review (January 2015)*).

The deficits in electric energy and peak power requirements vary across different regions in India. The peak deficit was 6.9 per cent. in the north, 2.4 per cent. in the west, 7.6 per cent. in the south, 1.8 per cent. in the east, and 5.4 per cent in the north east of the country for the period from 1 April 2013 to 31 March 2014. The following table outlines the peak and normative power shortages in India for the period from 1 April 2013 to 31 March 2014 across the regions of India:

1 April 2013 - 31 March 2014

Region	Energy (MU) Requirement	Deficit per cent.	Peak Demand (MW)	Deficit per cent.
North	309,463	(6)	45,934	(6.9)
West	294,659	(1)	41,335	(2.4)
South	277,245	(6.8)	39,015	(7.6)
East	108,203	(1.3)	15,888	(1.8)
North East	12,687	(6.5)	2,048	(5.4)

(*Source:* CEA Monthly Review (April 2014))

The following table outlines the peak and normative power shortages in India for different regions for fiscal 2015 (until 30 November 2014):

1 April 2014 — January 2015

Region	Energy (MU) Requirement	Deficit per cent.	Peak Demand (MW)*	Deficit per cent.
North	285,786	(6.6)	51,977	(8.3)
West	268,593	(0.8)	44,166	(2.6)
South	236,427	(4.5)	39,094	(8.7)
East	100,221	(1.7)	16,909	(1.8)
North East	12,077	(9.7)	2,528	(12.9)

* *Figures corresponds to January 2015 wherein peak demand (on all India basis) was the highest.*

(Source: CEA Monthly Review (January 2015))

Demand Projections

To deliver a sustained economic growth rate of 8.0 per cent. through to fiscal 2032, India needs, to increase its primary energy supply between three and four times and its electricity generation capacity between five and six times based on fiscal 2004 levels. With fiscal 2004 as a baseline, India's commercial energy supply would need to grow from 5.2 per cent. to 6.1 per cent. per annum while its total primary energy supply would need to grow at 4.3 per cent. to 5.1 per cent. annually. Further, power generation capacity must increase to around 800,000 MW by fiscal 2032 from the fiscal 2004 capacity levels of around 160,000 MW inclusive of all captive plants. (*Source: Planning Commission, Integrated Energy Policy Report of the Expert Committee on Power, August 2006*). This represents a need for the substantial augmentation of power generation capacity. Such investment in power generation will require increased investment in power transmission and distribution if the additional power is to be effectively disseminated among potential customers.

The table below lays out the projected additional capacity needed by fiscal 2017 and fiscal 2022 under different GDP growth rate scenarios:

	Assumed GDP Growth (per cent.)	Electricity Generation required (BU)	Peak Demand (GW)	Installed Capacity (GW)	Capacity Addition Required (GW)*
By fiscal 2017	8.0	1,524	226	306	121
	9.0	1,687	250	337	152
By fiscal 2022	8.0	2,118	323	425	241
	9.0	2,438	372	488	303

* *Based on the existing installed capacity of 185,497 GW in India.*
(Source: CEA Monthly Review of Power Sector, September 2011)

Future Capacity Additions

12th Five Year Plan (2012-2017)

A capacity addition of 75,785 MW has been envisaged for the 12th five year plan. This comprises 63,781 MW of thermal power, 9,204 MW of hydro power, and 2,800 MW of nuclear power, respectively (*Source: http://planningcommission.gov.in/aboutus/committee/wrkgrp12/wg_power1904.pdf*).

The total fund requirement to achieve the above targeted capacity addition is estimated at ₹12,374,900 million, with an estimated ₹3,542,600 million required for generation projects, an estimated ₹1,800,000 million required for transmission projects and an estimated ₹3,062,350 million required for distribution projects. (*Source: http://planningcommission.gov.in/aboutus/committee/wrkgrp12/wg_power1904.pdf*).

POWER TRANSMISSION AND DISTRIBUTION

In India, the T&D system is comprised of distribution networks, state grids and regional grids. The distribution networks and state grids are primarily owned and operated by the respective state transmission utilities or state governments (through state electricity departments). Most inter-state and inter-regional transmission links are owned and operated by the Power Grid Corporation of India (**PGCIL**) which facilitates the transfer of power from a surplus region to one with deficit, though some are jointly owned by the SEBs as well.

Transmission

PGCIL is the central transmission utility of India and possesses one of the largest transmission networks in the world. PGCIL has a pan India network presence of around 113,841 circuit kms of transmission network, 189 extra high voltage alternation current and high voltage direct current substations, and a total transformation capacity of 221 GVA as of 28 February 2015 (*Source:http://www.powergridindia.com/_layouts/PowerGrid/User/ContentPage.aspx?PId=80&LangID=English*). About 50 per cent. of the total generating capacity in India is transmitted through PGCIL's system *(Source: Ministry of Power and PGCIL).*

PGCIL is working towards the establishment of an integrated national power grid, in a phased manner, in order to strengthen the regional grids and to support the generation capacity addition programme during the 12th five-year plan period. On 31 December 2013, PGCIL successfully connected the southern grid with rest of the national grid on synchronous mode by commissioning a

765kV single circuit transmission line from Raichur (Karnataka state) to Solapur (Maharashtra state). With this interconnection all the five regional grids will now operate as a single system in a synchronous mode making the Indian power system one of the largest synchronous grids with about 235 MW of installed generation capacity. (*Source: PGCIL, Draft 12th Five Year Plan).*

The inter-regional power transfer capacity was 27.8 GW at the end of the 11th five year plan, which is expected to be enhanced to 65.5 GW at the end of 12th five year plan. About 1,07,440 ckm of transmission lines, 270 GVA of AC transformer capacity and about 12.75 GW of HVDC systems are expected to be added during the 12th five year plan period *(Source: Ministry of Power, Draft 12th Five Year Plan Vol II).*

Distribution

State grids and distribution networks are primarily owned and operated by the respective SEBs or state governments (through state electricity departments). State distribution networks are managed at the state level and continue to be affected by high losses. However, AT&C losses have significantly reduced over the years from 34.3 per cent. in fiscal 2004-05 to 25.4 per cent. in fiscal 2013. This implies that 25.4 per cent. of power entering the system is lost during distribution (*Source: CEA Monthly Report January 2015)*. A direct consequence of the high AT&C losses is the poor financial condition of SEBs, which constrains the SEBs from making any meaningful investments in generation and in upgrading the T&D network. The high level of AT&C losses is mainly on account of:

- technical losses due to overloaded and poorly maintained distribution network; and

- commercial losses due to theft, inaccurate metering and low collection efficiencies.

Though the AT&C losses have been declining steadily for the past few years, there is still substantial room for improvement as India's current level is significantly below the global average (*Source: World Bank)*. Various measures are being taken by the government in order to reform the distribution sector, including the following:

- financial restructuring of the Discoms;

- upgrading of technology to enhance system capabilities to detect and identify areas with high commercial losses, smart grid initatives etc.;

- empowering the regulator to revise tariffs periodically "suo-moto";

- promoting demand side measures such as improving energy efficiency and better demand management; and

- power procurement planning (from the supply side).

(Source: India Electricity 2011 Report, FICCI and Ministry of Power)

POWER TRADING

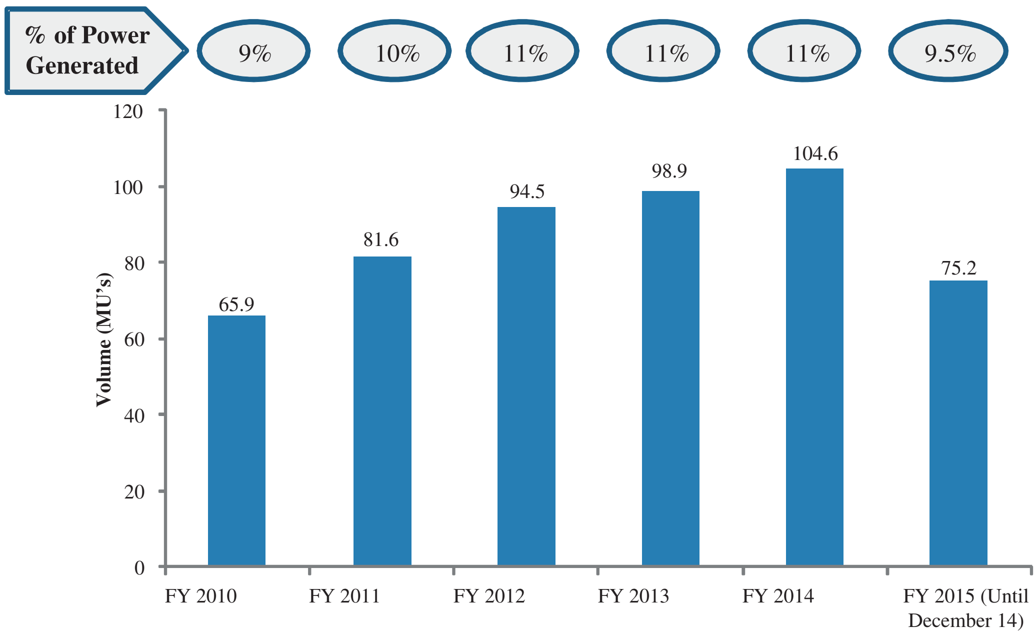
The Electricity Act 2003 recognises trading of power as a distinct activity and permits SERCs to allow open access to the distribution of electricity in phases that ultimately encourage efficiency and competition. Power trading helps achieve optimal utilisation of power resources in different regions. Hence, the GoI set up the Power Trading Corporation of India Limited to facilitate inter-state trading in power.

For open access to T&D, the setting up of a power exchange was essential. As per the guidelines of the Electricity Act 2003, the first power exchange was set up in India in 2008. Power exchanges are aimed at facilitating transparent and efficient trading of power, thus bridging the demand-supply mismatch by bringing larger players onto a common platform for buying and selling in an auction-based system, thereby providing liquidity.

Volume and Price Trends of Short Term Power

The volume of power sold in the form of short-term transactions has been steadily increasing for the past few years. Total volume of short-term transactions of electricity increased from 65.9 billion kWh (**BU**) in 2009-10 to 104.6 BU in 2013-14. The annual growth in volume was 24 per cent. from 2009-10 to 2010-11, 16 per cent. from 2010-11 to 2011-12, 5 per cent. from 2011-12 to 2012-13 and 6 per cent. from 2012-13 to 2013-14. At the same time, volume of short-term transactions as percentage of total electricity generation has also increased from 9 per cent. in 2009-10 to 11 per cent. in 2013-14.

Total Volume of Electricity Transacted in Short Term Market



Source: CERC Reports on Short-term Power Market in India (http://www.cea.nic.in/report.html)

Short-term transactions include the electricity transacted through the following modes:

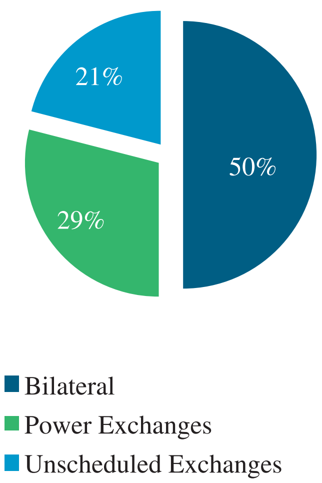
i. Bilateral trading: inter-state trading licensees;

ii. Bilateral trading: distribution licensees (Discoms);

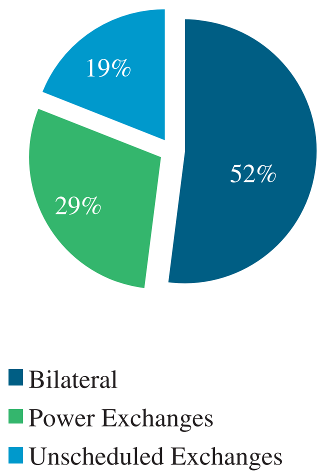
iii. Trading through power exchanges: Indian Energy Exchange Ltd. and Power Exchange India Ltd.; and

iv. Unscheduled interchange , which is the difference between actual generation and scheduled generation, including plants that have achieved synchronisation but are in the process of declaring commissioning.

Volume of Short-Term Transactions of Electricity, March 2014



Volume of Short-Term Transactions of Electricity, April 2014-October 2014



Source: CERC Report on Short term Power Market in India (http://www.cea.nic.in/report.html)

MECHANIMS FOR DETERMINATION OF TARIFFS FOR POWER PRODUCERS

On 6 January 2006, the GoI notified the National Tariff Policy (**NTP**) for the power sector in compliance with Section 3 of the Electricity Act and in continuation of the National Electricity Policy passed on 12 February 2005. Under the NTP, tariffs for all new generation and transmission projects, including public sector projects, are decided on the basis of competitive bidding after a certain period of time. *(Source: National Tariff Policy)*.

The guidelines for competitive bidding for the determination of tariffs for the procurement of power by distribution licensees were issued on 19 January 2005, as amended on 27 March 2009, with the main objectives of promoting competitive procurement, facilitating transparency and fairness, reducing information asymmetry, protecting and providing flexibility to suppliers on availability of power while ensuring certainty on tariffs for buyers. These initiatives are now bringing a change in the allotment of power projects from the traditional cost plus tariff norms to an international competitive bidding approach.

The guidelines apply for procurement of base-load, peak-load and seasonal power requirements through competitive bidding of projects under Case I and Case II mechanisms. *(Source: Competitive Bidding Guidelines: http://powermin.nic.in/whats_new/competitive_guidelines.htm)*.

Determination of Tariff by Bidding Process — Case I and Case II

"Projects under Case I" refers to projects where the location, technology or fuel is not specified by the procurer; the bidding for projects under Case I is based on the quoted tariff provided by each of the bidders. "Projects under Case II" refers to hydro-power projects, load center projects or other location specific projects with specific fuel allocation such as captive mines available, which the procurer intends to set up under a tariff based bidding process; the bidding for projects under Case II is on the basis of capacity charge and net quoted heat rate.

The tariff for projects under Case I and Case II comprises of the following components:

i. Capacity charges, which are intended to cover the fixed costs associated with the project including finance costs, depreciation and maintenance costs. These are payable as specified in the bid based on actual availability and limited to the normative availability, which is defined as the availability at which the supplier is allowed to recover 100 per cent. of capacity charges; maximum normative availability under Case I and Case II is 85 per cent. Capacity charges further comprise of:

   a. non-escalable capacity charges (fixed); and

   b. escalable capacity charges (indexed).

   The indices for escalation are provided by CERC on a semi-annual basis, and are linked to the Wholesale Price Index (**WPI**), Consumer Price Index (**CPI**) or a combination of both WPI and CPI.

ii. Energy charges, which are intended to cover the fuel costs associated with the project. These are payable as specified in the bid with provision for escalation. However, in case the bidder provides firm energy charge rates for each of the years of the contract term, the same shall be permitted in the tariffs. Energy charges are further comprised of:

   a. fuel component (escalable and non-escalable); and

   b. inland transportation component (escalable and non-escalable).

   The escalation rates are provided by CERC on a semi-annual basis and are linked to the WPI for fuel and inland transportation.

(Source: Guidelines for Determination of Tariff by Ministry of Power)

POLICY INITIATIVES AND ECONOMIC REFORMS IN INDIA

Since 1991, India has witnessed reforms across the policy spectrum in the areas of fiscal and industrial policy, trade and finance. Some of the key reform measures are:

- *Industrial Policy Reforms:* removal of capacity licensing and opening up various sectors to FDI;

- *Trade Policy Reforms:* lowering of import tariffs and restrictions on imports, across industries; and

- *Monetary Policy and Financial Sector Reforms:* lowering interest rates, relaxation of restrictions on fund movement and the introduction of private participation in the insurance sector.

In addition, FDI has been recognised as an important driver of economic growth in the country. The GoI has taken a number of steps to encourage and facilitate FDI, and FDI is allowed in many key sectors of the economy, such as manufacturing, services, infrastructure and financial services. For many sectors, 100 per cent. FDI is allowed on an automatic basis, without prior approval from the Foreign Investment Promotion Board.

FDI inflows into India have accelerated since fiscal 2007. From 1 April 2000 to 31 March 2014, FDI equity inflows into the services sector (both financial and non-financial) of India amounted to ₹1,855,700 million (U.S.$39,460 million). FDI inflows into India were U.S.$41,873 million, U.S.$37,745 million, U.S.$34,847 million, U.S.$46,556 million, U.S.$34,298 million and U.S.$36,396 million in fiscal years 2009, 2010, 2011, 2012, 2013 and 2014, respectively. (*Source: Department of Industrial Policy and Promotion Fact Sheet, April 2000 to March 2014*).

In recent years, in light of persistent power shortages and given the estimated rate of increase in demand for electricity in India, the GoI has taken significant action to restructure the power sector, increase capacity, improve transmission, sub-transmission and distribution, and attract investment to the sector. Some of the various strategies and reforms adopted by the GoI and other initiatives in the power sector in India are summarised below:

Electricity Act, 2003 (Electricity Act)

The most significant reform package was the introduction of the Electricity Act, which modified the legal framework governing the electricity sector and was designed to alleviate many of the problems facing India's power sector and to attract capital for large scale power projects. The Electricity Act replaced the multiple legislations that had previously governed the Indian electricity sector. The most significant reform under the Electricity Act is the move toward a multi-buyer, multi-seller system, as opposed to the previous structure which permitted only a single buyer to purchase power from generators. Furthermore, under the Electricity Act, the regulatory regime is more flexible, has a multi-year approach and allows the central and state regulatory commissions greater freedom in determining tariffs, without being constrained by rate-of-return regulations.

National Electricity Policy, 2005

The National Electricity Policy was notified in February 2005. This policy aims at accelerated development of the power sector, focusing on the supply of electricity to all areas and the protection of the interests of consumers and other stakeholders, keeping in mind the availability of energy resources and technology available to exploit these resources, the economics of generation using different resources and energy security issues.

National Tariff Policy, 2006

The National Tariff Policy (**NTP**) was notified by the GoI on 6 January 2006. Its main objectives are to:

- ensure availability of electricity to consumers at reasonable and competitive rates;
- ensure financial viability of the sector and attract investment;
- promote transparency, consistency and predictability in regulatory approaches across jurisdictions and minimise perceptions of regulatory risks; and
- promote competition, efficiency in operations and improvement in quality of supply.

The NTP stipulates that all future power requirements should be procured competitively by distribution licensees except in cases of expansion of pre-existing projects or where there is a public sector controlled or owned developer involved. In these cases, regulators must use tariffs set by reference to standards of the Central Electricity Regulatory Commission, provided that expansion of generating capacity by private developers for this purpose will be restricted to a one time addition of not more than 50 per cent. of the existing capacity. Under the NTP, even for public sector projects, tariffs for all new generation and transmission projects will be decided on the basis of competitive bidding provided that a developer of a hydroelectric project has the option of having the tariff determined by appropriate commission on the basis of performance based cost of service regulations subject to the satisfaction of various conditions specified in the Tariff Policy. Exemptions from the competitive bidding route may be adopted in: (i) the first two experimental works for 1200 KV high voltage direct current transmission lines; (ii) urgent work by the Central Transmission Utility or state transmission utilities (**STUs**) as decided by the GoI; and (iii) intra-state transmission projects by STUs for two years beyond 6 January 2011.

Rural Electrification Initiatives

The MoP introduced the Rajiv Gandhi Grameen Vidhyutikaran Yojana (**RGGVY**) in April 2005, with the aim of providing access to electricity to all rural households over a period of four years (*Source: website for the MoP — http://powermin.nic.in/)*. Rural Electrification Corporation Limited has been appointed the nodal agency for the RGGVY, and the scheme is 90 per cent. funded by GoI subsidies and 10 per cent. by the state subsidies, through their own resources or by seeking financial assistance from financial institutions. The states were responsible for finalising their own rural electrification plans, which were to be a roadmap for generation, transmission, sub-transmission and distribution of electricity within that state to ensure achievement of the scheme objectives. (*Source: MoP Office Memorandum No 44/19/2004 D(RE), dated 18 March 2005*).

Ultra Mega Power Projects (UMPPs)

For meeting the growing needs of the economy, generation capacity in India must rise significantly and sustainably over the coming decades. There is therefore a need to develop large capacity projects at the national level to meet the requirements of different states. Development of UMPPs is one step the MoP is taking to meet this objective. Each project is a minimum of 4,000 MW and involves an estimated investment of approximately U.S.$ 4.00 billion. The projects are expected to substantially reduce power shortages in India. The UMPPs will be awarded to developers on a build-own-operate basis and are expected to be built at 16 different locations. (*Source: website of the MoP — http://powermin.nic.in/)* For details, see "*Description of the Issuer*" and "*Regulations and Policies in India*".

Independent Transmission Projects

The MoP has initiated a tariff based competitive bidding process for independent transmission projects (**ITPs**), which is a process similar to that followed for UMPPs, for the development of transmission systems through private sector participation. The ITPs aim to evacuate power from generating stations and transmit the power from pooling stations to other grid stations, resulting in system strengthening across India. (*Source: website of the MoP*) For details, see " *Description of the Issuer*" and "*Regulations and Policies in India*".

Hydro Power Policy 2008

The Hydro Power Policy, 2008, emphasises increasing private investment in the development of hydroelectric projects. The policy aims to attract private funds by encouraging joint ventures with private developers and the use of the IPP model, in addition to promoting power trading and accelerating the availability of statutory clearances. The policy provides guidelines for accelerated development of the hydropower industry in India, particularly in the Himalayan States. (*Source: Hydropower Policy 2008, MoP*).

National Solar Mission

The MNRE has approved a new policy on development of solar energy in India by the Jawaharlal Nehru National Solar Mission. The mission recommends the implementation of an installed capacity of 20,000 MW in three stages by the end of the 13th five year plan (2017-2022). It proposes to establish a single window investor-friendly mechanism, which reduces risk and at the same time provides an attractive, predictable and sufficiently adequate tariff for the purchase of solar power from the grid. The key driver for promoting solar power would be through a renewable purchase obligation mandated for power utilities, with a specific solar component. (*Source: www.mnre.gov.in, website of the MNRE*).

Restructured Accelerated Power Development and Reform Programme (R-APDRP)

The MoP launched the R-APDRP in July 2008 to extend and restructure the Accelerated Power Development and Reform Programme (**APDRP**) beyond the 10th five year plan and ensure the achievement of better results. R-APDRP was designed to run during the 11th five year plan, with projects under the programme taken up in two parts. Part A projects include those that aim to establish a reliable system for the collection of accurate base line data and IT application for energy auditing. Part B projects include regular distribution strengthening projects to improve the sub-transmission and distribution system. (*Source: www.powermin.nic.in, Website of the MoP; Office Memorandum dated 22 December 2008*).

Distribution Reform, Upgrades and Management (DRUM)

The MoP, acting in conjunction with the United States Agency for International Development, established the DRUM project in 2004 with the purpose of demonstrating best commercial and technological practices that improve the quality and reliability of "last mile" power distribution in selected urban and rural distribution circles in India. The project's objectives include improved power distribution, better availability and quality of electricity, enhanced commercial orientation and drive and the facilitation of the distribution reform process. (*Source: www.powermin.nic.in, website of the MoP; Background Note on DRUM*).

Delivery through Decentralised Management (DDM)

DDM is an MoP sponsored scheme that was launched in March 2005 with the objective of showcasing participatory models of excellence in distribution in rural areas. It aims to promote public participation, encourage community management and attract private investment in distribution by establishing distribution franchises and distributed generation projects.

RECENT DEVELOPMENTS IN THE INDIAN POWER SECTOR

Coal Supply Scenario

For India, like most developing countries, coal is a fundamentally important energy resource. During fiscal years 2012 and 2013, Coal India Limited (**CIL**) supplied about 72 per cent. and 74 per cent. of its total dispatch to the power sectors respectively. However, since that time there has been significant shortage of coal supply in India leading to drop in operational performance of the coal based plants.

PMO's Directive to CIL to Sign New FSAs

In order to ensure adequate coal supplies for power plants dependent on linkage coal from CIL, in June 2012 the Prime Minister's Office directed CIL to sign fuel-supply agreements (**FSAs**) with power generation companies that have long-term power-purchase agreements with state distribution utilities. The directive is applicable to all plants of power generation companies that have been commissioned since 2009-10 or would be commissioned by 31 March 2015.

New CERC tariff order

In February 2014, CERC notified the revised tariff regulations for the five year period from 1 April 2014 to 31 March 2019. Key changes introduced under the revised regulations are as follows:

- post-tax return on equity (**ROE**) to be grossed-up by the effective tax rate of the respective financial year for the generating company. The effective tax rate considered for this purpose shall be computed on the basis of actual tax paid in respect of the financial year by the concerned generating company. The actual tax on other non-generation income streams shall not be considered for the calculation of effective tax rate;

- post-tax ROE has been maintained at 15.5 per cent. but the incentive structure has been now been linked with plant load factor (**PLF**) unlike plant availability factor based incentives that were previously in place. An incentive of 0.50 per unit is proposed for generation in excess of 85 per cent. of PLF;

- operating norms, mainly heat rate and specific oil consumption, have been tightened;

- operations and maintenance norms for fiscal year 2015 have been kept at fiscal year 2014 levels but escalation beyond fiscal year 2015 has been increased as compared to the 2009 regulations; and

- any gains based on controllable factors such as heat rate, fuel oil consumption and auxiliary consumption are proposed to be shared 40:60 with genco and beneficiaries.

(Source: Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014)

Coal Block Auctions

On 24 September 2014, the Supreme Court cancelled 214 out of 218 coal blocks that had been allocated to various entities since 1993 on the grounds that such allocations were made in contravention of the Coal Mines (Nationalisation) Act, 1973 and directed CIL to take over all such cancelled blocks. Following the cancellation of coal blocks by the Supreme Court, the Government has taken steps to remove the uncertainty surrounding such cancelled coal blocks, including the issuance of an ordinance to facilitate the auction and allotment of cancelled coal blocks and to enable state-owned companies and private companies to undertake commercial mining. The auction of these coal blocks lays a template for transparent and effective future auctioning of all natural resources. (*Source: Ministry of Coal, Allotment Letter dated February 2015, http://www.mstcecommerce.com/auctionhome/coalblock/index.jsp*)

Auction proceeds from the private sector are to be retained by states where the mines are located. The additional income is expected to encourage investment in infrastructure and industrial development in these states. This will help strengthen the federal structure of the country and aid the passage of legislation in both houses of Parliament. This will also provide a clear roadmap ahead, leading to improve transparency in the fuel security process.

Over the last few years, the captive coal blocks have not lived up to their potential, given delays in approvals and restrictions on end use. However, with a more relaxed regulatory regime, allowing usage of coal for similar end use plants and government support, captive coal production is expected to increase. Overall, coal block auctions are beneficial to the sector as they help to reduce the generation costs of plants forced to run on imported coal. Thus, it ultimately leads to a reduction in power tariffs, benefitting end consumers.

Eligibility to bid for Schedule II (operational) and III (near operational) coal mines is dependent on the status of preparedness of their end use plant; 80 per cent. of investment made in the end use plant for Schedule II mines and 60 per cent. of investment made in the end use plant for Schedule III mines. In case of allotment to Government companies, the progress of development of coal blocks by the applicant in the past, financial and technical capabilities of the applicant, status of preparedness of end use plant, per-capita power availability in the state of the applicant and its current and future requirements will be the factors for selecting the allottee Key Implications. (*Source: http://pib.nic.in/newsite/PrintRelease.aspx?relid=111568*)

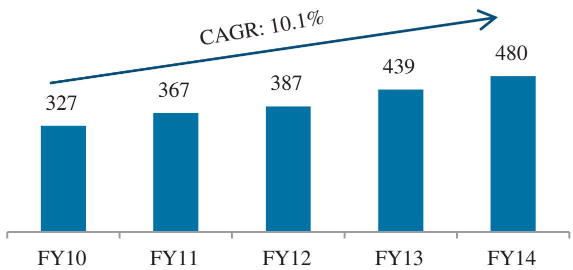
As of the date of this Offering Circular, the auctions have received significant interest, with aggressive bidding for the coal blocks. Successful bids in the power space have varied from 108/ton, to as high as 1,110/ton. (*Government of India, Source: http://www.mstcecommerce.com/auctionhome/coalblock/index.jsp*)

Financial Restructuring Programme for SEBs / Discoms

In relation to distribution, the GoI has taken several steps to enhance the viability of the distribution sector. Some of the significant initiatives and developments of the distribution sector are set out below.

The GoI has taken steps to improve the financial health of SEBs by forcing them to take measures to reduce losses. Tariffs have been progressively raised across states to bridge the gap between average realisation and power purchase cost, as shown in the table below.

Average Tariff (Paise/kWh Sold)



Source — Annual Report (2013-14) on 'The Working of State Power Utilities & Electricity Departments'

The R-APDRP scheme of the MoP of the GoI, whose objective is to reduce AT&C losses below 15 per cent., has been progressing well. A loss reduction plan to reduce national AT&C losses from 25 per cent. to 15 per cent. by 2021-22 has been finalised by the GoI.

The MoP's financial restructuring package provides for 50 per cent. of short term loans to Discoms (up to 31 March 2012) to be taken over by state government and restructuring the balance 50 per cent. by banks through revising the terms for debt service.

PFC and REC have worked together to sanction approximately ₹350,000 million of transitional loans to Discoms to fund the cash shortfall, as set out in the financial restructuring plan of the respective state government.

PROVIDERS OF FINANCE TO THE POWER SECTOR IN INDIA

The primary providers of power sector financing in India are power sector specific government companies, financing institutions, public sector banks and other public sector institutions, international development institutions and private banks.

Power Sector Specific Government Companies

The Issuer was incorporated on 16 July 1986, with the main objective of financing power projects, transmission and distribution works and the renovation and modernisation of power plants.

Besides the Issuer, the other public sector companies and agencies engaged in financing the power sector are as follows. For details on the Issuer, see "*Description of the Issuer*".

Rural Electrification Corporation

The Rural Electrification Corporation Limited (**REC**) is a government company, which is registered as an NBFC and has been notified as an IFC. It was established in 1969 under the administrative control of the MoP. Its main objective is to finance and promote rural electrification projects throughout India. It provides financial assistance to SEBs, state government departments and rural electric cooperatives for rural electrification projects. REC also promotes and finances rural electricity cooperatives, administers funds and grants from the GoI and other sources for financing rural electrification, provides consultancy services and project implementation in related fields, finances and executes small, mini and micro generation projects as well as larger generation, transmission and distribution power projects, and develops other energy sources. REC's equity shares are listed on the Bombay Stock Exchange and the National Stock Exchange.

Indian Renewable Energy Development Agency

The Indian Renewable Energy Development Agency is a wholly-owned government company, which is registered as an NBFC and has been notified as an IFC. It was established in 1987 under the administrative control of the Ministry of Non-Conventional Energy Sources of the GoI with the objective of promoting, developing and extending financial assistance for renewable energy and energy efficiency, and energy conservation projects.

Private Financial Institutions

Financial institutions were established to provide medium-term and long-term financial assistance to various industries for setting up new projects and for the expansion and modernisation of existing facilities. These institutions provide fund based and non-fund based assistance to industry in the form of loans, underwriting, direct subscription to shares, debentures and guarantees, and therefore compete in the Indian power finance sector. The primary long-term lending institutions include Infrastructure Development Finance Company Limited, India Infrastructure Finance Company Limited, IFCI Limited, PTC India Financial Services Limited, Industrial Investment Bank of India Limited and Small Industries Development Bank of India.

State Level Financial Institutions

State financial corporations operate at the state level and form an integral part of the institutional financing system. State financial corporations were set up to finance and promote small and medium-sized enterprises. At the state level, there are also state industrial development corporations, which provide finance primarily to medium-sized and large-sized enterprises. Examples include Delhi Financial Corporation, Delhi State Industrial Development Corporation Limited, Economic Development Corporation of Goa, Daman and Diu Limited, Goa Industrial Development Corporation, Western Maharashtra Development Corporation Limited, Madhya Pradesh State Industrial Development Corporation Limited and Orissa Industrial Infrastructure Development Corporation. (*Source: website for the Council of State Industrial Development and Investment Corporations of India*).

Public Sector Banks and other Public Sector Institutions

Public sector banks are believed to make up the largest category of banks in the Indian banking system. The primary public sector banks operating in the power sector include the Industrial Development Bank of India, State Bank of India, Punjab National Bank and the Bank of Baroda. Other public sector entities also provide financing to the power sector. These include organisations such as the Life Insurance Corporation of India and India Infrastructure Finance Company Limited.

International Development Financial Institutions

International development financial institutions are supportive of power sector reform and of more general economic reforms aimed at mobilising investment and increasing energy efficiency. The primary international development financial institutions involved in power sector lending in India include several international banking institutions such as Japan Bank for International Cooperation, KfW, the World Bank, the Asian Development Bank (**ADB**) and the International Finance Corporation.

In the early 1990s, the World Bank decided to finance mainly projects in states that demonstrate a commitment to implement a comprehensive reform of their power sector, privatise distribution, and facilitate private participation in generation and environment reforms. Recent loans from the World Bank have gone to support the restructuring of SEBs. In general, the loans are for rehabilitation and capacity increase of the transmission and distribution systems, and for improvements in metering the power systems in states that have agreed to reform their power sector.

The overall strategy of the ADB for the power sector is to support restructuring, especially the promotion of competition and private sector participation. Like the World Bank, the ADB also provides loans for restructuring the power sector in the States and improving transmission and distribution.

*The Issuer is a systemically important, non-deposit taking NBFC and is notified as a public financial institution (**PFI**) under section 2(72) of the Companies Act, 2013 (corresponding to the erstwhile Section 4A of the Companies Act, 1956 and also classified as an Infrastructure Finance Company (**IFC**) by the RBI by its letter dated 28 July 2010. The business activities of NBFCs and PFIs are regulated by various RBI regulations, although as a Government company, the Issuer has the benefit of certain exemptions further described below.*

The following description is a summary of the relevant regulations and policies prescribed by the Government and other regulatory bodies that are applicable to the Issuer's business. The statements below are based on provisions of Indian law as of the date of this Offering Circular, and the judicial and administrative interpretations thereof, which are subject to modification by subsequent legislative, regulatory, administrative or judicial decisions. The information detailed below has been obtained from various legislations available in the public domain, and may not be exhaustive. It is merely intended to provide general information and is neither designed nor intended to substitute for professional legal advice.

Investors should carefully consider the information described below, together with the other information set out in other sections of the Offering Circular including the financial statements, before making an investment decision relating to the Notes as any changes in the regulations and policies could have a material adverse effect on the Issuer's business including the quality of assets, its liquidity, its financial performance, its stockholder's equity, its ability to implement its strategy and its ability to repay the interest or principal on the Notes in a timely manner or at all.

A. NBFC REGULATIONS

The Reserve Bank of India Act, 1934 (RBI Act)

The RBI is entrusted with the responsibility of regulating and supervising the activities of NBFCs by virtue of the power vested in it under Chapter III B of the RBI Act. The RBI Act defines an NBFC under Section 45-I (f) as:

'(i) a financial institution which is a company;

(ii) a non-banking institution which is a company and which has as its principal business the receiving of deposits, under any scheme or arrangement or in any other manner, or lending in any manner; and

(iii) such other non-banking institution or class of such institutions, as the RBI may, with the previous approval of the central Government and by notification in the official gazette, specify.'

The RBI has clarified through a press release dated 8 April 1999 and by a notification dated 19 October 2006 that, in order to identify a particular company as an NBFC, it will consider both the assets and the income pattern as evidenced from the last audited balance sheet of the company to decide its principal business. The company will be treated as an NBFC if: (i) its financial assets are more than 50.0 per cent. of its total assets (netted off by intangible assets); and (ii) income from financial assets should be more than 50.0 per cent. of the gross income. Both these tests are required to be satisfied as the determinant factor for principal business of a company.

The RBI Act mandates that no NBFC shall commence or carry on the business of a non-banking financial institution without obtaining a certificate of registration (**CoR**) and having a minimum net owned fund of Rs.20 million. In case an NBFC does not accept deposits from the public (**NBFC-ND**), it shall obtain a CoR without authorisation to accept public deposits. All NBFCs are required to submit a certificate from their statutory auditors every year to the effect that they continue to undertake the business of a non-banking financial institution, thereby requiring them to hold a CoR.

NBFCs which are government companies in which not less than 51.0 per cent. of the paid up capital is held by the central Government, or by any state government or partly by the central Government and partly by one or more state governments or which is subsidiary of a government company, have been exempted from complying with the various parts of the RBI Act relating to maintenance of liquid assets, creation of reserve funds and the directions relating to acceptance of public deposits and prudential norms except directions relating to submission of information to the RBI in relation to change of address, directors and auditors. The Issuer, being a Government company under the Companies Act, 2013, has the benefit of such exemptions from the RBI Act and regulations.

Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 (the Prudential Norms)

The Prudential Norms, *inter alia*, prescribe guidelines on income recognition, asset classification and provisioning requirements, exposure norms, constitution of audit committee, disclosures in the balance sheet, requirement of capital adequacy, restrictions and concentration of credits and investments applicable to NBFCs. The Prudential Norms exempt government companies which are not accepting or holding public deposits from the applicability of the Prudential Norms, except for certain information requirements in relation to changes in its address, directors, principal officers, auditors and specimen signatures of authorised persons.

In addition, as a government-owned NBFC, the RBI has exempted the Issuer from the application of the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007. Instead, the Issuer follows the prudential norms approved by its board and the MoP.

In fiscal year 2006-07, the RBI directed the Issuer to submit a roadmap for compliance with RBI prudential norms. Accordingly, the Issuer has submitted roadmaps to the RBI from time to time and, based on the roadmaps, the RBI has given exemptions to the Issuer from the application of various RBI prudential norms but not, for example the exposure norms for private sector utilities. Subsequently, the RBI directed the Issuer to follow borrower-wise asset classification in respect of government sector utilities (the Issuer had already been following borrower-wise asset classification in private sector utilities) and the RBI allowed the Issuer to apply its prudential norms until 31 March 2016, as set out in the RBI letters dated 25 July 2013 and 3 April 2014.

In relation to the restructuring, rescheduling and renegotiation of loans, the RBI allowed the Issuer to apply the MoP approved prudential norms until 31 March 2017 for transmission and distribution, renovation and modernisation and life extension projects and also the hydro projects in Himalayan region or affected by natural disasters. The RBI norms of restructuring will be applicable to those new project loans sanctioned to generating companies with effect from 1 April 2015 and restructured thereafter. Loans sanctioned up to 31 March 2015 and restructured thereafter will be regulated by MoP approved norms. However, for loans to generating companies sanctioned up to 31 March 2015 and restructured thereafter, the provisioning requirement for restructured loans will be as per the RBI norms, as set out in the RBI letter dated 11 June 2014 and the Issuer's letter dated 3 July 2014.

Measures for Capital Augmentation by NBFCs

Systematically important NBFC-NDs which meet the criteria prescribed in the RBI Master Circular on miscellaneous instructions to NBFC-NDs dated 1 July 2014 (**NBFC-ND-SIs**) may augment their capital funds by the issuance of perpetual debenture instruments in accordance with certain specified guidelines. Such perpetual debenture instruments shall be eligible for inclusion as Tier I capital to the extent of 15.0 per cent. of the total Tier I capital as of March 31 of the previous accounting year. NBFCs-ND-SIs may augment their Tier II capital by issuance of hybrid capital instruments, subordinated debt, with certain specified guidelines. Perpetual debenture instruments issued in excess of 15.0 per cent. will be included in Tier II capital, subject to the proviso that Tier II capital does not exceed Tier I capital.

KYC Guidelines

The RBI has prescribed "Know Your Customer" (**KYC**) guidelines for NBFCs which include customer identification procedures, monitoring of transactions of a suspicious nature for the purpose of reporting it to appropriate authority, risk management, adherence to KYC guidelines and the exercise of due diligence by persons authorised by the NBFC, including its brokers and agents. The KYC guidelines have been revisited and revised in the context of the recommendations made by the financial action task force on "Anti Money Laundering" (**AML**) standards and on Combating Financing of Terrorism' and the paper issued on 'Customer Due Diligence for NBFCs' by the Basel Committee on Banking Supervision. NBFCs need to have a proper policy framework on KYC and AML approved by the board of directors.

In this regard, the Issuer has laid down a KYC policy for both its lending and borrowing transactions. Under the KYC policy, the company secretary of the Issuer is the principal officer to ensure monitoring and reporting of all the transactions and ensuring overall compliance with regulatory guidelines on 'Know Your Customer norms/Anti Money Laundering standards/Combating Financing of Terrorism/obligations under the Prevention of Money Laundering Act, 2002 (**PMLA**)' issued from time to time.

Corporate Governance Guidelines

All NBFC-ND-SIs and deposit accepting NBFCs are required to adhere to certain corporate governance norms including constitution of an audit committee, a nomination committee, a risk management committee and certain other norms in connection with disclosure and transparency and connected lending.

Private Placement Guidelines

There are specific RBI regulations applicable to NBFCs who raise securities by way of private placement. NBFCs are permitted to issue both secured and unsecured bonds on private placement basis. There is no limit on the number of subscribers for any secured issuance of bonds, however, the minimum subscription of such secured bonds shall be Rs. 10 million per investor. For unsecured bonds, there is a limit of 200 subscribers for every financial year and subscription amount of the bonds shall be less than Rs. 10 million per investor. NBFCs can only issue bonds for the use in respect of its own balance sheet and not to facilitate resource requests of group entities, parent companies or associates.

Norms for Excessive Interest Rates

The RBI has not provided for any ceiling on interest rates that can be charged by non-deposit taking NBFCs. However, the RBI has issued circulars addressed to NBFCs stating that they should lay out appropriate internal principles and procedures to determine interest rates and other charges. The

Issuer fixes the interest rate based on the average cost of funds, the RBI's monetary policies, competitors' interest rate, certain percentage of margin, other markets conditions, etc. These components are dynamic and change from time to time. The interest rate so fixed by the Issuer is brought to the notice of the borrowers.

Directions on Acquisition of NBFC

Prior written permission from the RBI is required for: (i) the takeover or acquisition of an NBFC, deposit and non-deposit accepting whether by acquisition of shares or otherwise; (ii) the merger or amalgamation of an NBFC with another entity or of an entity with an NBFC that would give the acquirer control of the NBFC or which would result in acquisition or transfer of shareholding in excess of 10.0 per cent. of the paid up capital of the NBFC; and (iii) mergers, amalgamations, compromises, arrangement and reconstruction of NBFCs pursuant to order by a court or tribunal order under the Companies Act, 2013. Non-compliance of the directions could lead to adverse regulatory action including cancellation of the certificate of registration of NBFCs.

Opening of Branch, Subsidiary or Representation Office of an NBFC Outside India

Prior approval of the RBI is required for opening of a branch, subsidiary, joint venture or representative office or for undertaking any investment abroad by an NBFC.

B. CLASSIFICATION OF INFRASTRUCTURE FINANCE COMPANIES

An IFC is an NBFC-ND that (i) minimum of 75.0 per cent. of its total assets deployed in financing the infrastructure sector; (ii) net owned funds of Rs.3,000 million or above; (iii) has a minimum credit rating of 'A' or equivalent of CRISIL, FITCH, CARE, ICRA, or other equivalent rating agencies; (iv) has a capital to risk assets ratio (**CRAR**) of 15.0 per cent. (with a minimum Tier I capital of 10.0 per cent.); and (v) cannot accept deposits. The following lending and investment norms are applicable to NBFC-ND-SI's which are IFCs:

(a) increase in lending to any single borrower by 10.0 per cent. of its owned fund i.e., total of 25.0 per cent. of its owned funds;

(b) increase in lending to any single group of borrowers by 15.0 per cent. of its owned fund i.e., total of 40.0 per cent. of its owned funds;

(c) increase in lending and investing in (loans/investments taken together) by 5.0 per cent. of its owned fund to a single party i.e. total of 30.0 per cent. of its owned funds; and

(d) increase in lending and investing in (loans/investments taken together) by 10.0 per cent. of its owned fund to a single group of parties i.e. total of 50.0 per cent. of its owned funds.

The Issuer is a government owned NBFC-IFC and subject to the CRAR, rating, etc.

In regard to lending and investment norms set out above, the Issuer is compliant with the exposure norms for private sector entities. The RBI, in April 2014, has granted exemption to the Issuer in respect of exposure to Government owned entities until 31 March 2016.

As an IFC, the Issuer is also eligible to borrow in foreign currency under the automatic route (without the prior approval of the RBI), ECBs up to U.S.$750 million each fiscal year subject to maximum of 75.0 per cent. of their owned funds including outstanding foreign currency borrowing, from recognised lenders under the automatic route.

Subsequently, the RBI has created many other categories of NBFCs such as NBFC-core investment company, infrastructure debt fund-NBFC and NBFC-micro finance institution.

C. REGULATION OF CORPORATES

Companies Act

The Issuer is a company incorporated and registered under the Companies Act, 1956 and hence governed by its provisions and the rules made thereunder. In 2013, the Indian Parliament enacted the Companies Act, 2013 which was notified in the official gazette on 30 August 2013. The Companies Act, 2013 will replace the Companies Act, 1956 entirely as and when fully notified. The Companies Act, 2013 seeks to overhaul the Companies Act, 1956 so as to make it more adaptable to the changing circumstances and make it comprehensive. The Ministry of Corporate Affairs (**MCA**) has, as of the date of this Offering Circular, notified (i) 98 sections of the Companies Act, 2013, which are effective from 12 September 2013; (ii) Section 135 and Schedule VII of the Companies Act, 2013 in relation to corporate social responsibility on 27 February 2014, which are effective from 1 April 2014; and (iii) 183 sections and Schedule I to XI, which were notified on 26 March 2014 and are effective from 1 April 2014. The substantial operative part of the legislation is in the rules, and the rules for implementation of majority of the chapters of the Companies Act, 2013 have also been notified and are effective from 1 April 2014.

The Companies Act, 2013 intends to strengthen corporate regulation by increasing the robustness of the existing provisions and introducing new measures, such as: (i) increasing the accountability of management by making independent directors more accountable; (ii) improving corporate governance practices; (iii) enhancing disclosure norms in relation to capital raising; (iv) enhancing audit procedures and audit accountability including establishment of the National Financial Reporting Authority for dealing with matters relating to accounting and auditing policies and standards; (v) increasing investor protection and activism by way of provisions relating to class action suits; (vi) ensuring protection of minority rights including exit options; (vii) promoting e-governance initiatives; (viii) ensuring stricter enforcement standards including establishment of Serious Fraud Investigation Office for investigation of frauds relating to companies and special courts for summary trial of offences under the Companies Act, 2013; (ix) better framework for insolvency regulation; (x) making CSR mandatory for every company having net worth of Rs.500 crore or more, or turnover of Rs.1,000 crore or more or a net profit of Rs.5 crore or more during any financial year; (xi) introducing of the National Company Law Tribunal and its appellate authority which is the National Company Law Appellate Tribunal which replaces the Company Law Board, the Board for Industrial and Financial Reconstruction and its appellate authority with the intention that all lawsuits relating to companies are made to one body; (xii) providing rules on insider dealing, forward contracts, related party transactions and acceptance of deposits; and (xiii) the implementation of a fixed and variable legislation model with various provisions of the Companies Act, 2013 delegating rule making power to central Government. The Companies Act, 2013 has introduced various sections which significantly and substantially modify, repeal and replace the entire framework of law governing Indian companies including the Issuer. For transition purposes, the Companies Act, 2013 encapsulates grandfathering provisions whereby acts done, resolutions passed, documents entered, registers maintained under the Companies Act, 1956 (unless contrary to the Companies Act, 2013) will continue to be valid under the Companies Act, 2013.

Additionally, section 465 (yet to be notified) of the Companies Act, 2013 provides for repeals and savings where under anything done or any action taken or purported to have been done or taken, including any rule, notification, inspection, order or notice made or issued or any appointment or declaration made or any operation undertaken or any direction given or any proceeding taken or any penalty, punishment, forfeiture or fine imposed under the repealed enactments shall, insofar as it is not inconsistent with the provisions of the Companies Act, 2013, be deemed to have been done or taken under the corresponding provisions of the Companies Act, 2013.

D. REGULATION OF FOREIGN INVESTMENT

Foreign investment in India is governed primarily by the provisions of the FEMA which relates to regulation primarily by the RBI and the rules, regulations and notifications there under, and the policy prescribed by the Department of Industrial Policy and Promotion which is regulated by the FIPB.

The RBI, in exercise of its power under the FEMA, has notified the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 (**FEMA Regulations**) to prohibit, restrict or regulate, transfer by or issue security to a person resident outside India. No prior consent and approval is required from the RBI, for FDI under the automatic route within the specified sectoral caps. In respect of all industries not specified as FDI under the automatic route, or in respect of investment in excess of the specified sectoral limits under the automatic route, approval may be required from the FIPB and/or the RBI.

In accordance with the Consolidated Foreign Direct Investment (**FDI**) Policy effective from 17 April 2014, FDI in NBFCs engaged in leasing and finance fall under the automatic route for FDI investment up to 100.0 per cent.

E. EXTERNAL COMMERCIAL BORROWINGS

The RBI, in exercise of its power under the FEMA, has notified the Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000 (**Borrowing Regulations**) to regulate the borrowing and lending in foreign exchange by a person resident in India including ECBs. In terms of the Master Circular issued by the RBI on 'External Commercial Borrowings and Trade Credit' on 1 July 2014, ECBs can be accessed under two routes: (i) the automatic route and (ii) the approval route. The automatic route does not require a borrower to obtain any RBI approvals, whereas the approval route refers to circumstances where prior RBI approval is mandatory before raising an ECB. The ECB Guidelines are subject to amendment from time to time. Investors are urged to consult their own advisors in connection with the applicability of any Indian laws or regulations.

Automatic route

The entities allowed avail ECBs under the automatic route are: (a) Corporates, including those in the hotel, hospital, software sectors (registered under the Companies Act, 1956, NBFCs-IFCs, NBFCs-asset finance companies (**AFCs**), Small Industries Development Bank of India (**SIDBI**) except financial intermediaries, such as banks, financial institutions (**FIs**), Housing Finance Companies (**HFCs**) and NBFCs, other than those specifically allowed by the RBI, are eligible to raise ECB. Individuals, trusts (other than those engaged in micro-finance activities) and non-profit making organisations are not eligible to raise ECB; (b) units in special economic zones (**SEZs**) are allowed to raise ECB for their own requirement; (c) NBFCs-IFCs are permitted to avail of ECBs for on-lending to the infrastructure sector as defined under the ECB policy; (d) NBFCs-AFCs are permitted to avail of ECBs for financing the import of infrastructure equipment for leasing to infrastructure projects; (e) non-Government Organisations (**NGOs**) engaged in micro finance activities are eligible to avail of ECB; (f) Micro Finance Institutions (**MFIs**) engaged in micro finance activities registered under the

Societies Registration Act, 1860 or under Indian Trust Act, 1882, or under the conventional state level cooperative acts, the national level multi-State cooperative legislation or under the new state level mutually aided cooperative acts and not being a co-operative bank, NBFCs categorised as Non Banking Financial Company-Micro Finance Institutions (**NBFC-MFIs**) and Companies registered under Section 25 of the Companies Act, 1956 which are involved in micro finance activities are eligible to raise ECB; (g) NGOs engaged in micro finance and MFIs registered as societies, trusts and co-operatives and engaged in micro finance; (h) SIDBI can avail of ECB for on-lending to MSME sector (as defined under the Micro, Small and Medium Enterprises Development (**MSMED**) Act, 2006); (i) corporates in the services sector such as hotels, hospitals and software sector; (j) companies in miscellaneous services sector (only from overseas direct/indirect equity holders and group companies); and (k) Holding Companies/Core Investment Companies (**CICs**) coming under the regulatory framework of the RBI are permitted to raise ECB for project use in special purpose vehicles (**SPVs**) in the infrastructure sector as defined under the ECB Guidelines.

The foreign lenders eligible to provide ECBs include: (i) international banks, (ii) international capital markets, (iii) multilateral financial institutions or regional financial institutions and Government-owned development financial institutions, (iv) export credit agencies, (v) suppliers of equipment, (vi) foreign collaborators; and (vii) foreign equity holders (other than erstwhile overseas corporate bodies and subject to compliance with threshold requirements).

ECB proceeds can be utilised for: (a) investment such as import of capital goods, implementation of new projects, modernisation/expansion of existing production units in the industrial sector including small and medium enterprises (**SME**) and the infrastructure sector in India. 'Infrastructure sector' for the purposes of the ECB Guidelines is defined to include power, telecommunications, railways, roads, sea ports and airports, industrial park, urban infrastructure and mining, exploration and refining; (b) overseas direct investment in Joint Ventures (**JVs**)/Wholly Owned Subsidiaries (**WOSs**) subject to the existing guidelines on Indian direct investment in JVs/WOSs abroad; (c) interest during construction (**IDC**) for Indian companies which are in the infrastructure sector, as defined under the extant ECB Guidelines subject to IDC being capitalised and forming part of the project cost; (d) the payment by eligible borrowers in the telecom sector, for spectrum allocation may, initially, be met out of Rupee resources by the successful bidders, to be refinanced with a long-term ECB; (e) the first stage as well as subsequent stages of acquisition of shares in the disinvestment process to the public under the Government's disinvestment programme of PSU shares; (f) repayment of Rupee loans availed of from domestic banking system. Companies in the power sector are permitted to utilise up to 40.0 per cent. of the fresh ECB raised by them towards refinancing of the Rupee loans availed by them from the domestic banking system subject to the condition that at least 60.0 per cent. of the fresh ECB proposed to be raised should be utilised for fresh capital expenditure for infrastructure projects; (g) the import of services, technical know-how and payment of license fees. The companies in the manufacturing and infrastructure sectors may import services, technical know-how and payment of license fees as part of import of capital goods subject to certain conditions; and (h) Indian companies which are in the infrastructure sector, as defined under the extant ECB Guidelines are permitted to import capital goods by availing of short term credit (including buyers'/suppliers' credit) in the nature of 'bridge finance', with the RBI's prior approval provided the bridge finance is replaced with a long term ECB as per extant ECB Guidelines.

The maximum amount of ECB which can be raised by NBFC-IFCs is 75.0 per cent. of their owned funds (ECB including all outstanding ECBs) or U.S.$750 million and must hedge 75.0 per cent. of their currency risk exposure.

The existing all-in-cost (which includes rate of interest, other fees and expenses in foreign currency but does not include commitment fees, pre-payment fees, payments for withholding tax in Rupees or fees payable in Rupees) ceilings for ECBs are as follows:

Average Maturity Period	All-in-cost ceiling over 6 month LIBOR*
ECB of 3 years and up to 5 years	350 basis points
ECB of more than 5 years	500 basis points

* For the respective currency of borrowing or applicable benchmark.

Approval route

All ECBs falling outside the purview of the automatic route limits are considered by the RBI under the approval route. ECBs which can be obtained with prior RBI approval include: (a) banks and financial institutions which had participated in the textile or steel sector restructuring package as approved by the Government, can avail ECB to the extent of their investment in the package and assessment by the RBI based on prudential norms; (b) ECB with minimum average maturity of five years can be availed by NBFCs from multilateral financial institutions, reputable regional financial institutions, official export credit agencies and international banks to finance import of infrastructure equipment for leasing to infrastructure projects; (c) NBFCs-IFCs are permitted to avail ECB beyond 75.0 per cent. of their owned funds (including the outstanding ECBs) for on-lending to the infrastructure sector as defined under the ECB policy; (d) NBFCs-AFCs are permitted to avail ECB beyond 75.0 per cent. of their owned funds (including outstanding ECBs) to finance the import of infrastructure equipment for leasing to infrastructure projects; (e) Foreign Currency Convertible Bonds (**FCCBs**) by housing finance companies satisfying certain criteria; (f) SPVs or any other entity notified by the RBI, set up to finance infrastructure companies/projects exclusively; (g) multi-State co-operative societies engaged in manufacturing activity and satisfying specified criteria; (h) SEZ developers for providing infrastructure facilities within SEZ; (i) developers of National Manufacturing Investment Zones (**NMIZs**) for providing infrastructure facilities within SEZ; (j) eligible borrowers under the automatic route other than corporates in the services sector such as hotel, hospital and software and in the miscellaneous services sector are permitted to avail ECB beyond U.S.$750 million or equivalent per financial year; (k) corporates in the services sector such as hotels, hospitals and software sectors and in miscellaneous services are permitted to avail ECB beyond U.S.$200 million or equivalent per financial year. ECB for corporates in miscellaneous services is permitted only from direct/indirect equity holders and group companies; (l) SIDBI for on-lending to MSME sector beyond 50.0 per cent. of their owned funds subject to a ceiling of U.S.$500 million per financial year provided such on-lending by SIDBI shall be to the borrowers for permissible end-use and having natural hedge by way of foreign exchange earnings. SIDBI may on-lend either in INR or in foreign currency (**FCY**). In case of on-lending in INR, the foreign currency risk shall be fully hedged by SIDBI; (n) low cost affordable housing projects: developers/builders/Housing Finance Companies (**HFCs**)/National Housing Bank (**NHB**) for low cost affordable housing projects; (o) corporates under investigation; (p) Holding Companies/CICs coming under the regulatory framework of the RBI for project use in SPVs provided the business activity of the SPV is in the infrastructure sector; and (q) take-out financing utilised for refinancing of Rupee loans by infrastructure borrowers from the domestic banks in the sea port, airport, roads, bridges and power sectors for project development.

Creation of charge under ECB Guidelines

Eligible borrowers under the ECB Guidelines are permitted to create charge on immovable assets, movable assets, financial securities and issue corporate and/or personal guarantees in favour of overseas lenders or security trustees with the prior approval of the AD Bank and subject to the conditions for creating such charge in accordance with the ECB Guidelines.

Filing and regulatory requirements in relation to issuance of Notes

An ECB borrower is required to obtain a loan registration number (**LRN**) from the RBI before an issuance of Notes is effected. For allotment of the LRN, ECB borrowers are required to submit completed Form 83 certified by a company secretary or chartered accountant to the AD Bank of the ECB borrower. The AD Bank is then required to forward the completed Form 83 to the RBI.

Any ECB borrower is required to submit an ECB-2 Return on a monthly basis via its AD Bank to the RBI.

Procedure in relation to any change to the Terms and Conditions of the Notes

Any change in the Terms and Conditions of the Notes after obtaining the LRN require the prior approval of the RBI. An ECB borrower is required to apply to the RBI via its AD Bank to obtain such approvals. Certain changes (such as amendments to the repayment date, currency, the name of the borrower, recognised lender, the purpose for which the ECB is utilised or any change to the AD Bank) may be approved by the AD Bank under a delegated authority from the RBI subject to certain conditions being complied with.

F. LEGISLATIVE FRAMEWORK FOR RECOVERY OF DEBTS

Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002

The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (**Securitisation Act**) provides where any borrower who is under a liability to a secured creditor makes any default in repayment of secured debt and his account is classified as non-performing asset, then the secured creditor may require the borrower by notice in writing to discharge in full his liabilities within 60 days from the date of notice failing which secured creditor shall be entitled to exercise all or any of the following rights:

The secured creditor may take possession of the secured assets or take over the management of the business of the borrower including the right to transfer by way of lease, assignment or sale for realising the secured asset and/or appoint any person to manage the secured assets the possession of which has been taken over by the secured creditor. Furthermore, in the case of financing of a financial asset by more than one secured creditors or joint financing of a financial asset by secured creditors, no secured creditor shall be entitled to exercise any rights unless exercise of such right is agreed upon by the secured creditors representing not less than 60.0 per cent. in value of the amount outstanding as of a record date as determined by secured creditors and such action shall be binding on all the secured creditors.

Furthermore, any securitisation company or reconstruction company may acquire financial assets of any bank or financial institution by issuing a debenture or bond or any other security in the nature of debenture, for consideration agreed upon between such company and the bank or financial institution or by entering into an agreement with such bank or financial institution for transfer of such financial assets on such terms and conditions as may be agreed upon between them.

Recovery of Debts Due to Banks and Financial Institutions Act, 1993

The Recovery of Debts Due to Banks and Financial Institutions Act, 1993 as amended from time to time (**Debts Recovery Act**) provides for establishment of Debt Recovery Tribunals for expeditious adjudication and recovery of debts due to any bank or public financial institution or to a consortium of banks and public financial institutions. Under the Debts Recovery Act, the procedures for recoveries of debt have been simplified and time frames have been fixed for speedy disposal of cases. Upon establishment of the Debts Recovery Tribunal, no court or other authority can exercise jurisdiction in relation to matters covered by the Debts Recovery Act, except the Supreme Court and High Court exercising jurisdiction under Articles 226 and 227 of the Constitution of India, in relation to matters specified in Section 17 of the Debts Recovery Act.

G. LABOUR LAWS

The Payment of Gratuity Act, 1972

The Payment of Gratuity Act, 1972 as amended from time to time (**Gratuity Act**) establishes a scheme for the payment of gratuity to employees engaged in every factory, mine, oil field, plantation, port and railway company, every shop or establishment in which ten or more persons are employed or were employed on any day of the preceding twelve months and in such other establishments in which ten or more persons are employed or were employed on any day of the preceding twelve months, as the central Government may, by notification, specify. Penalties are prescribed for non-compliance with statutory provisions.

Under the Gratuity Act, an employee who has been in continuous service for a period of five years will be eligible for gratuity upon his retirement, resignation, superannuation, death or disablement due to accident or disease. However, the entitlement to gratuity in the event of death or disablement will not be contingent upon an employee having completed five years of continuous service.

Employees Provident Fund and Miscellaneous Provisions Act, 1952

The Employees Provident Fund and Miscellaneous Provisions Act, 1952, as amended from time to time, provides for the institution of compulsory provident fund, pension fund and deposit linked insurance funds for the benefit of employees in factories and other establishments. A liability is placed both on the employer and the employee to make certain contributions to the funds mentioned above.

Shops and Establishments Legislations in Various States

The provisions of various state specific legislations, as applicable, regulate the conditions of work and employment in shops and commercial establishments and generally prescribe obligations in respect of *inter alia* registration, opening and closing hours, daily and weekly working hours, holidays, leave, health and safety measures and wages for overtime work.

The Minimum Wages Act, 1948

The Mininum Wages Act, 1948, as amended from time to time, provides for minimum wages in certain employments. The central and the state governments stipulate minimum wages, calculated based on the basic requirement of food, clothing and housing required by an average Indian adult.

The Industrial Disputes Act, 1947

The Industrial Disputes Act, 1947, as amended from time to time, provides the procedure for investigation and settlement of industrial disputes. When a dispute exists or is apprehended, the appropriate Government may refer the dispute to a labour court, tribunal or arbitrator, to prevent the occurrence or continuance of the dispute, or a strike or lock-out while a proceeding is pending. The labour courts and tribunals may grant appropriate relief including ordering modification of contracts of employment or reinstatement of workmen.

H. TAX LAWS

Income Tax Act, 1961

Income Tax Act, 1961, as amended from time to time, is applicable to every domestic and foreign company whose income is taxable depending upon its 'residential status' and 'type of income' involved.

Wealth Tax

Wealth tax is payable on net wealth at the rate of 1.0 per cent. by which net wealth exceeds Rs.3 million. The Finance Bill, 2015 proposes to abolish wealth tax entirely.

Service Tax

Service tax is charged on taxable services which requires a service recipient to pay such tax to the Government.

Value Added Tax, 2005

Value Added Tax (**VAT**) is charged by laws enacted by each State on sale of goods affected in the relevant States. VAT is a multi-point levy on each of the entities in the supply chain with the facility of set-off of input tax that is the tax paid at the stage of purchase of goods by a trader and on purchase of raw materials by a manufacturer. Only the value addition in the hands of each of the entities is subject to tax. VAT is not chargeable on the value of services which do not involve a transfer of goods. Periodical returns are required to be filed with the VAT Department of the respective States by the Issuer.

Central Sales Tax Act, 1956

In accordance with the Central Sales Tax Act, 1956, as amended from time to time every dealer registered under the Act is required to furnish a return as required by the State sale tax laws of the assessing authority together with treasury challan or bank receipt in token of the payment of taxes due.

I. LAWS RELATING TO INTELLECTUAL PROPERTY

In India, trademarks enjoy protection both statutory and under common law. The Trademarks Act, 1999 as amended from time to time (**Trademarks Act**) and the Copyright Act, 1957 as amended from time to time amongst others govern the law in relation to intellectual property, including brandnames, trade names and service marks and research works. The Trademark Act governs the statutory protection of trademarks in India. The Trademarks Act governs the registration, acquisition, transfer and infringement of trademarks and remedies available to a registered proprietor or user of a trademark. The registration of a trademark is valid for a period of 10 years, and can be renewed in accordance with the specified procedure. The Patents Act, 1970 (**Patents Act**) is the umbrella legislation for the protection and registration of patents in India. Any invention which is sought to be protected under the Patents Act needs to qualify the test of 'novelty', 'non-obviousness', and 'utility'. Every patent granted under the Patents Act shall be valid for a term of 20 years from the date of filling the patent application in India and there is no provision for an extension of the patent term.

J. LAWS RELATING TO THE POWER SECTOR

The authority to regulate the electricity sector vests with both the state and the central governments as 'electricity' is an entry in the Concurrent List of the Seventh Schedule of the Constitution of India.

The MoP acts as the administrative ministry governing the central power sector in the country.The MoP is responsible for the administration of the Electricity Act, 2003, as amended from time to time (**Electricity Act**) and to undertake such amendments, as may be necessary from time to time, in conformity with the Government's policy objectives.

The Electricity Act is a central legislation relating to generation, transmission, distribution, trading and use of electricity that seeks to replace the multiple legislations that govern the Indian power sector. The most significant reform initiative under the Electricity Act was the move towards a multi-buyer, multi-seller system as opposed to the existing structure which permitted only a single buyer to purchase power from power generators. In addition, the Electricity Act grants the electricity regulatory commissions freedom in determining tariffs. Under the Electricity Act, no licence is required for generation of electricity if the generating station complies with the technical standards relating to connectivity with the grid. The Electricity Act was amended in 2007 to exempt captive power generation plants from licensing requirements for supply to any licensee or consumer and further amended in 2010 to provide that any developer of a SEZ notified shall be deemed to be a licensee under the Electricity Act.

Licensing Requirements

Under the Electricity Act, transmission and distribution of, and trading in, electricity require licences from the appropriate Central or State Electricity Regulatory Commissions (respectively, **CERCs** and **SERCs**, and collectively, **ERCs**), unless exempted. CERC has jurisdiction over generating companies owned or controlled by the Government or which have a composite scheme for generation and sale in more than one state. SERCs have jurisdiction over generating stations within state boundaries, except those under CERC's jurisdiction. The respective ERC determines the tariff for supply of electricity from a generating company to a distribution licensee, transmission, wheeling, and retail sale of electricity. All states in India have ERCs in operation.

Generation

Currently, any generating company in India can establish, operate and maintain a generating station if it complies with the technical standards relating to connectivity with the grid. Approvals from the Government, the state government and the techno-economic clearance from the CEA are no longer required, except for hydroelectric projects. Generating companies are permitted to sell electricity to any licensees and where permitted by the respective SERCs, to consumers. In addition, no restriction is placed on the setting up of captive power plants by any consumer or group of consumers for their own consumption. Under the Electricity Act, no surcharge is required to be paid on wheeling of power from the captive plant to the destination of the use by its owner. This provides financial incentive to large consumers to set up their own captive plants.

In order to qualify as a captive generating plant, the Electricity Rules, 2005 (**Electricity Rules**) require that not less than 26.0 per cent. of the ownership of the plant be held by a captive user and not less than 51.0 per cent. of the aggregate electricity generated in such plant, determined on an annual basis, be consumed for captive use. In case of association of persons, the captive users shall hold not less than 26.0 per cent. of the ownership of the plant in aggregate and such captive users shall consume not less than 51.0 per cent. of the electricity generated, determined on an annual basis, in proportion to their shares in ownership of the power plant within a variation not exceeding 10.0 per cent.. If the minimum percentage of captive use is not complied with in any year, the entire electricity generated is treated as supplied by a 'generating company' and benefits available to a 'captive generating plant' (such as exemption from payment of certain levies and surcharges) will not apply in such year.

Through an amendment in 2007, Section 9 of the Electricity Act was amended to state that no separate licence is required for the supply of electricity generated from the captive power plant to any licensee or the consumer. The ERCs determine the tariff for the supply of electricity from a generating company to any distribution licensee, transmission of electricity, wheeling of electricity and retail of electricity. The CERC has jurisdiction over generating companies owned or controlled by the Government and those generating companies who have entered into or otherwise have a composite scheme for generation and sale in more than one state. SERCs have jurisdiction over generating stations within the state boundaries, except those under the CERC's jurisdiction.

Transmission

Transmission being a regulated activity, involves the intervention of various players. The Government is responsible for facilitating the transmission and supply of electricity, particularly inter-State, regional and inter-regional transmission. The Electricity Act vests the responsibility of efficient, economical and integrated transmission and supply of electricity with the Government and empowers it to make regional demarcations of the country for the same. In addition, the Government will facilitate voluntary inter-connections and co-ordination of facilities for the inter-State, regional and inter-regional generation and transmission of electricity. The CEA is required to prescribe certain grid standards under the Electricity Act and every transmission licensee must comply with such technical standards of operation and maintenance of transmission lines. In addition, every transmission licensee is required to obtain a licence from the CERC and the SERCs, as the case may be.

The Electricity Act also allows generating companies open access to transmission lines. The transmission licensee is required to comply with the technical standards of operation and maintenance of transmission lines specified by the CEA. The provision of open access is subject to the availability of adequate transmission capacity as determined by the Central or State Transmission Utility. The Electricity Act provides certain principles in accordance with which the appropriate Commission will specify terms and conditions for determination of tariff. Under the Electricity Act, CERC is vested with the authority to determine the tariffs for inter-State transmission of electricity. A transmission licensee may with prior intimation to CERC or the SERC, as the case may be, engage in any business for optimum utilisation of its assets, provided that a proportion of its revenues from such business be utilised for reducing its charges for transmission and wheeling.

Trading

The Electricity Act specifies trading in electricity as a licensed activity. Trading has been defined as the purchase of electricity for resale. This may involve wholesale supply or retail supply. The licence to engage in electricity trading is required to be obtained from the appropriate ERC. The CERC issued the CERC (Procedure, Terms and Conditions for Grant of Trading Licence and Other Related Matters) Regulations, 2009, as amended from time to time (**Trading Licence Regulations**) to regulate the inter-State trading of electricity. Under the Trading Licence Regulations, any person desirous of undertaking inter-State trading in electricity shall apply to the CERC for the grant of a licence. The Trading Licence Regulations set out various qualifications for the grant of a licence for undertaking electricity trading, including certain technical and professional qualifications, and net worth requirements. Further, a licensee is subject to certain conditions including the extent of trading margin, maintenance of records and submission of auditors' report. The existing licensees are required to meet the net worth, current ratio and liquidity ratio criteria and are required to pay the licence fee as specified by the CERC, from time to time. The existing licensees are required to meet the net worth, current ratio and liquidity ratio criteria and are required to pay the licence fee as specified by the CERC, from time to time. The licensees need to submit monthly reports and annual returns on over-the-counter contracts and transaction volumes on a weekly basis.

Tariff Principles

Under the Electricity Act, ERCs determine tariff for supply of electricity by a generating company (as well as for transmission, wheeling and retail sale of electricity). In case of shortage of electricity supply, the ERC may fix the minimum and maximum tariff for sale or purchase of electricity, pursuant to an agreement entered into between a generating company and licensee or between licensees, for up to one year. The Electricity Act provides that the ERC shall adopt such tariff that has been determined through a transparent process of bidding in accordance with the guidelines issued by the Government. The MoP has issued detailed guidelines for competitive bidding as well as standard bidding documents for competitive bid projects. Under the guidelines issued by the MoP, the determination of tariff for a particular power project depends on the mode of participation in the project, i.e., (i) the memorandum of understanding route, based on tariff principles prescribed by CERC (cost plus basis, comprising capacity charge, energy charge, unscheduled interchange charge and incentive payments); or (ii) the competitive bidding route, where tariff is market based.

Presently CERC has notified CERC (Terms and Conditions of Tariff) Regulations, 2014, which came into force on 1 April 2014 and is valid for a period of five years (**Tariff Regulations**). The Tariff Regulations apply in all cases where tariff for a generating station or a unit thereof (other than those generating stations or inter-State transmission systems whose tariff has been discovered through tariff based competitive bidding in accordance with the guidelines issued by the central Government and those based on non-conventional energy sources) and the transmission system is to be determined by CERC. The Tariff Regulations provide that tariff be determined based on capital expenditure incurred duly certified by the auditors, or as projected to be incurred up to the date of commercial operation and additional capital expenditure incurred duly certified by the auditors or projected to be incurred during the tariff period. Applications for determination of tariff are required to be made in respect of units of the transmission lines or substations of the transmission system, completed or projected to be completed within six months from the date of application. The capital cost admitted by CERC after prudence check (to be carried out based on benchmark norms to be specified by CERC) will form the basis for determination of tariff.

National Electricity Policy

In compliance with the Electricity Act, the Government announced the National Electricity Policy in February 2005. The National Electricity Policy aims at achieving the following objectives:

- Availability of power — demand to be fully met by 2012 and energy and peaking shortages to be overcome and adequate spinning reserve to be available;

- Supply of reliable and quality power of specified standards in an efficient manner and at reasonable rates;

- Per capita availability of electricity to be increased to over 1,000 units by 2012;

- Minimum lifeline consumption of 1 unit/household/day as a merit good by 2012;

- Financial turnaround and commercial viability of electricity sector; and

- Protection of consumers' interests.

The CEA has issued a report on the status of implementation of progress of reforms under National Electricity Policy 2005 on 31 March 2014 which consolidated data received from all the States on progress of reforms under the Electricity Act, National Electricity Policy and National Tariff Policy, 2006.

National Electricity Plan

The Electricity Act requires CEA to frame a National Electricity Plan once in five years and revise such plan from time to time in accordance with the National Electricity Policy. CEA released a National Electricity Plan in 2012 (**National Electricity Plan**), which covers the period from 2012-2017 and includes:

- Short-term and long-term demand forecast for different regions;

- Suggested areas/locations for capacity additions in generation and transmission keeping in view the economics of generation and transmission, losses in the system, load centre requirements, grid stability, security of supply, quality of power including voltage profile and environmental considerations including, rehabilitation and resettlement;

- Integration of such possible locations with transmission system and development of national grid including type of transmission systems and requirement of redundancies;

- Different technologies available for efficient generation, transmission and distribution; and

- Fuel choices based on economy, energy security and environmental considerations.

The following recommendations have been proposed in the National Electricity Plan:

- 80,000 MW and 79,200 MW of capacity needs to be added in the country during the 12th and 13th Five Year Plans and issues relating to capacity addition needs to be addressed expeditiously bearing in mind a low carbon growth strategy;

- Initiatives need to be taken to address issues related to availability of land and water, expediting environmental and forest clearance, coal and gas availability and gas based generation and capacity in India, expansion/addition in capacities of existing balance of plants manufacturers and increase in erection and commissioning agencies;

- Adoption of green house gas mitigation strategy is required in order to meet the emission standards;

- Development of renewable energy sources;

- Energy efficiency, conservation of energy and demand side management needs to be tapped vigorously;

- Plan for at least 2000 MW gas based peaking power plants during 2012 to 2017, 400 MW plants in the five major Indian metro cities with proper regulatory support; and

- Need for a task force under CERC to consider issues relating to the setting up of peaking plants and creation of adequate reserves.

Other Government Initiatives Applicable to the Issuer

Restructured Accelerated Power Development and Reform Programme (R-APDRP)

The Government introduced the 'Accelerated Power Development Programme' (**APDP**) in the fiscal year 2001 as part of the reform of the Indian power sector. During the 10th plan, the Government subsequently upgraded the APDP programme to the 'Accelerated Power Development Reform Programme' (**APDRP**) in the fiscal year 2003. In July 2008, APDRP was restructured and the MoP launched the 'Restructured Accelerated Power Development and Reforms Programme' (**R-APDRP**). The R-APDRP is a Government initiative launched for implementation during the 6th Five Year Plan. The focus of the programme is the actual demonstrable performance in terms of sustained loss reduction, establishment of reliable and automated systems for collection of accurate and reliable baseline data, and adoption of information technology (**IT**) in the areas of energy accounting and implementation of regular distribution strengthening project. The programme envisages objective performance evaluation of utilities in terms of aggregate technical and commercial (**AT&C**) loss reductions.

The Issuer was designated as the nodal agency for operationalising and implementing the R-APDRP under the overall guidance of MoP pursuant to MoP Order dated 6 August 2008. The Issuer acts as a single window service provider and co-ordinates with the main stakeholders involved such as MoP and APDRP steering committee, CEA, financial institutions, utilities and various consultants. The funds under R-APDRP are provided to the state power utilities/distribution companies, through the Issuer. As nodal agency the Issuer receives a fee as well as the reimbursement of expenditure in implementation of the programme in accordance with the norms decided by the R-APDRP steering committee.

The R-APDRP covers urban areas — towns and cities with a population of more than 30,000 (10,000 in case of special category States comprised of all North East States, Sikkim, Uttarakhand, Himachal Pradesh and Jammu and Kashmir). Additionally, in certain high-load density rural areas, separation of agricultural feeders from domestic and industrial feeders and separation of high voltage distribution system (**HVDS**) (11KV) is also envisaged.

Projects under R-APDRP is being implemented in two parts, i.e., Part A and Part B. Part A covers projects for establishment of baseline data and IT applications for energy accounting/auditing and consumer services which *inter alia* include geographic information system mapping, metering of distribution transformers and feeders, and automatic data logging for all distribution transformers and feeders and supervisory control and data acquisition, asset mapping of the entire distribution network at and below the 11KV transformers, management information system, redressal of consumer grievance, and establishment of IT enabled consumer service centres etc.. Establishment of supervisory control and data acquisition (**SCADA**) systems is also envisaged under Part A of the scheme for towns having population greater than 400,000 in accordance with 2001 census and also having annual energy input greater than 350 million units. Further, the base line data and required system shall be verified by TPIEA appointed by the MoP. Part B covers system improvement, regular distribution strengthening projects and augmentation which *inter alia* includes renovation, modernisation and strengthening of 11 KV level substations, transformers/transformer centres, load bifurcation, feeder separation, load balancing, HVDS (11KV), and aerial bunched conductoring in dense areas.

In order to ascertain the eligibility criteria for assistance under R-APDRP, the States/utilities are required to sign a quadripartite agreement and commit the following:

(a) constitute the SERC;

(b) commit a time frame for introduction of measures for better accountability at all levels in the project area;

(c) achieve the below mentioned target of AT&C loss reduction at the entire utility level every year starting one year after the year in which first project of Part A is completed:

  (i) utilities having AT&C loss above 30 per cent. are to reduce AT&C losses by 3.0 per cent. per year; and

  (ii) utilities having AT&C loss below 30 per cent. are to reduce AT&C losses by 1.5 per cent. per year;

(d) devise a suitable incentive scheme for staff linking to achievements of 15.0 per cent. AT&C loss in the project area;

(e) initially, the utilities need to provide data for three billing cycles to establish baseline data which would then be considered for conversion of loan into grant;

(f) the following are prerequisites to compute initial loss levels and start Part B schemes:

(i) all input points to be identified and metered with downloadable meters for energy inflow accounting in scheme area;

(ii) all outgoing feeders to be metered in substation with downloadable meters;

(iii) scheme area to be ring fenced i.e., export and import meters for energy accounting to be ensured;

(iv) arrangement to be for measuring total energy flow in the rural load portion of the project area by ring fencing, if the rural load feeder is not segregated; and

(g) subsequently, the utilities are to submit the previous year's (as of 31 March) AT&C loss figures of the identified project area as verified by an independent agency appointed by MoP, and the Issuer by 30 June annually.

Utilities shall prepare detailed project reports (**DPRs**) in two parts i.e., Part A and Part B, for each project area and forwarding the DPRs to the Issuer indicating the order of priority of the projects. Utilities may appoint IT consultants through bidding from an open bidding process from the panel of IT and SCADA/DMS consultants prepared by the Issuer for preparing DPRs of Part A projects and for handholding utilities from concept to commissioning of these projects. These DPRs will be validated and appraised techno-commercially by the Issuer and will then be submitted to the APDRP Steering Committee for approval. Similarly, IT implementing agencies and SCADA implementation agencies shall be empanelled agencies by the Issuer and MoP after observing codal formalities. Utilities shall appoint IT implementing agencies/SCADA implementing agencies from the panel through bidding process for turnkey implementation of respective IT or SCADA projects. Further, the MoP shall appoint TPIEA-EA through the Issuer for verifying base figure of AT&C loss of the project area, establishment of base line data system, and annual AT&C loss figures of project areas and state power utilities/distribution companies. Similarly, the Issuer or MoP shall appoint TPIEA-IT for verification of implementation of Part A IT and SCADA projects.

The Government loan is granted and disbursed through the Issuer in line with its disbursement policy. Initially, Government will provide 100.0 per cent. loan for approved projects under Part A of the scheme including information technology applications on terms decided by the MoF. The loan along with the accrued interest shall be converted into a grant after establishment of the required baseline data system and verification by a TPIEA. The project completion time is five years from date of sanction.

Further, Government will provide 25.0 per cent. for approved projects under Part B of the scheme (90.0 per cent. for special category States), the balance loan shall be raised from financial institutions namely the Issuer, Rural Electrification Corporation Limited, multi-lateral institutions and/or own resources, the terms of which shall be of the financial institutions. Up to 50.0 per cent. (90.0 per cent. for special category States) of the loan provided shall be converted into a grant progressively on achievement of AT&C loss reduction targets. Such conversion shall take place annually based on the AT&C loss figures of the project area as of 31 March verified by the TPIEA.

Ultra Mega Power Projects (UMPPs)

The Government has introduced the UMPP programme in 2005-2006 with the objective of developing large capacity thermal power projects in India utilising 'supercritical technology.' We have been designated to act as a nodal agency by the Government for the development of UMPPs, each with a contracted capacity of 4,000 MW or above. These UMPPs involve economies of scale based on large generation capacities based at a single location, utilise super critical technology to reduce emissions and potentially have lower tariff costs for electricity generated as a result of these factors and through international competitive bidding processes adopted for the selection of developers.

The CEA is the technical partner for the development of these UMPPs, while the MoP is involved as a facilitator. As of 31 March 2014, sixteen UMPPs have been identified, located in Madhya Pradesh, Gujarat (two), Chhattisgarh, Karnataka, Maharashtra, Andhra Pradesh (two), Jharkhand (two), Tamil Nadu (two), Odisha (three) and Bihar. As of 30 April 2014, the Issuer incorporated a total of thirteen wholly-owned SPVs for the UMPPs. In relation to such SPVs, the Issuer in conjunction with the MoP and the CEA will undertake preliminary site investigation activities and obtain fuel linkages and appropriate regulatory and other approvals (including for land, water and for power selling), environment and forest clearances necessary to conduct the bidding process for these projects. Four of these SPVs have been transferred to successful bidders, as detailed below. The remaining SPVs are proposed to be eventually transferred to successful bidder(s) selected through a tariff based international competitive bidding process in accordance with the guidelines for procurement of power from thermal power stations set up on design, build, finance, operate and transfer (**DBFOT**) basis. Two additional SPVs have been incorporated for Odisha and Cheyyur. UMPPs, which would hold the land for power station and coal blocks, would be transferred to the procurers of power from these projects. The successful bidders are then expected to develop and implement these projects.

Out of the thirteen SPVs, the following four SPVs have been transferred to successful bidders:

Name of SPV	UMPPs	Transferee	Date of Transfer
Coastal Gujarat Power Limited	Mundra, Gujarat	Tata Power Company Limited	22 April 2007
Sasan Power Limited	Sasan, Madhya Pradesh	Reliance Power Limited	7 August 2007
Coastal Andhra Power Limited	Krishnapatnam, Andhra Pradesh	Reliance Power Limited	29 January 2008
Jharkhand Integrated Power Limited . .	Tilaiya, Jharkhand	Reliance Power Limited	7 August 2009

The bid process for selection of Concessionaire for Odisha and Cheyyur UMPPs is underway. The Issuer is in the process of conducting site studies and obtaining applicable regulatory and other clearances with respect to the rest of the UMPPs.

Independent Transmission Projects (ITPs)

In April 2006, the MoP introduced a tariff based competitive bidding process for ITPs, similar to that followed for UMPPs, for the development of transmission systems through private sector participation. The Issuer and its subsidiary PFCCL have been nominated as the bid process coordinators by the MoP for the development of certain ITPs.

So far, twelve SPVs have been incorporated by the Issuer and its subsidiary PFCCL to develop ITPs. These SPVs undertake preliminary survey work, identify transmission routes, prepare survey reports, initiate the processes of land acquisition and forest clearances if applicable, and are also responsible for conducting the bid process. PFCCL earns revenue from its involvement with ITP projects in a manner similar to the UMPPs. Of the twelve SPVs, Bokaro-Kodarma Maithon Transmission Company Limited was liquidated in December 2010 and eight SPVs have been transferred to the successful bidders on the dates indicated below:

S. No	Name of SPV	Successful Bidder	Date of Transfer
1	East North Interconnection Company Limited	Sterlite Transmission Projects Private Limited	31 March 2010
2	Jabalpur Transmission Company Limited	Sterlite Transmission Projects Private Limited	31 March 2011
3	Bhopal Dhule Transmission Company Limited	Sterlite Transmission Projects Private Limited	31 March 2011
4	Nagapattinam Madhugiri Transmission Company Limited	Power Grid Corporation of India Limited	29 March 2012
5	Purulia & Kharagpur Transmission Company Limited	Sterlite Grid Limited	13 November 2013
6	Patran Transmission Company Limited	Techno and Electric Engineering Company Limited	9 December 2013
7	Darbhanga - Motihari Transmission Company Limited	Essel Infraprojects Limited	10 December 2013
8	RAPP Transmission Company Limited	Sterlite Grid Limited	12 March 2014

The letter of award for DGEN Transmission Company Limited has been issued on 19 May 2014 to Instalaciones Inabensa, S.A., Spain. For the remaining SPVs namely, Ballabhgarh-GN Transmission Company Limited and Tanda Transmission Company Limited, the bid process is kept in abeyance on the advice of the CEA and the MoP.

K. GOVERNMENTAL REGISTRATIONS & APPROVALS OBTAINED BY THE ISSUER

The Issuer has obtained the following registrations and approvals:

1. PAN No. AAACP1570H allotted by the Income Tax Department.

2. Operational unit wise TAN allotted by the Income Tax Department.

3. Service Tax Registration for Delhi office, having registration no. AAACP1570HST001.

4. Registration under Delhi Value Added Tax for Delhi office, having registration no. 07863002828.

5. Registration under Maharashtra Value Added Tax for Delhi office, having registration no. 27620014060V.

6. Registration under Maharashtra State Tax on Professions, Trade, Callings and Employment Act, 1975 for Mumbai office, having registration no. 27620014060P and 99241694479.

7. Registration under Rajasthan Value Added Tax for Delhi office, having registration no. 08641608994.

8. Registration under Central Sales Tax Act, 1956 for Rajasthan office, having registration no. 08641608994.

9. Registration no. PTNAN 10151CG015-0003 under Professional Tax for Chennai office.

10. Approval of Gratuity Fund under Income Tax Act, having reference no. CIT-III/G.F./D/95-96/172.

11. Registration under Indian Trade Unions Act, 1926 of PFC Employees Union with reference no. 4153.

12. Exemption from RBI prudential norms by reference no. DNBS.CO.ZMD-N/4984/14.16.2009/2009-2010.

13. Registration in Class 36 of the PFC logo under Trademarks Act, 1999, having Trademark No. 1621055 and Certificate of Registration No. 918119.

14. Registration in Class 41 of the PFC logo under Trademarks Act, 1999, having Trademark No. 1621056 and Certificate of Registration No. 989333.

15. Registration in Class 42 of the PFC logo under Trademarks Act, 1999, having Trademark No. 1601703 and Certificate of Registration No. 917970.

16. Registration to carry on the business of NBFC and classified as Infrastructure Finance Company having registration no. B-14.00004 on 28 July 2010.

TAXATION

The information provided below does not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase Notes. In particular, the information does not consider any specific facts of circumstances that may apply to a particular purchaser. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Notes or of any person acquiring, selling or otherwise dealing with the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. The statements do not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rules.

Prospective purchasers of Notes are advised to consult their own tax advisers as to the tax consequences of the purchase, ownership and disposal of Notes, including the effect of any state or local taxes, under the tax laws applicable in India and each country of which they are residents or countries of purchase, holding or disposal of the Notes. Additionally, in view of the number of jurisdictions where local laws may apply, this Offering Circular does not discuss the local tax consequences to a potential holder, purchaser, seller arising from the acquisition, holding or disposal of the Notes. Prospective investors must therefore inform themselves as to any tax, exchange control legislation or other laws and regulations in force relating to the subscription, holding or disposal of Notes at their place of ordinance, and the countries of which they are citizens or countries of purchase, holding or disposal of Notes.

Indian Taxation

The following is a summary of the existing principal Indian tax consequences for non-resident investors subscribing to the Notes issued by the Issuer. The summary is based on existing Indian taxation law and practice in force at the date of this Offering Circular and is subject to change, possibly with retroactive effect. The tax implications set out below are subject to the changes proposed in the Finance Bill, 2015, which has recently been introduced and has not yet received approval from the Indian Parliament. The summary does not constitute legal or tax advice and is not intended to represent a complete analysis of the tax consequences under Indian law of the acquisition, ownership or transfer of the Notes. Prospective investors should, therefore, consult their own tax advisers regarding the Indian tax consequences, as well as the tax consequences under any other applicable taxing jurisdiction, of acquiring, owning and disposing of the Notes.

Payments through India

Any payments the Issuer makes on the Notes, including additional amounts, made through India would be subject to the regulations of RBI.

Taxation of interest

Since the proceeds of the issuance of the Notes are to be used for the purposes of the business of the Issuer in India, non-resident investors would be liable to pay tax on the interest paid on the Notes. Presently, the rate of tax in accordance with the Income Tax Act, 1961 (**Income Tax Act**) is 5.0 per cent. (plus applicable surcharge, education cess and secondary and higher education cess), for any long term bond, including infrastructure bond, issued any time between October 1, 2014 and June 30, 2017, in accordance with the provisions of Section 115A read with Section 194LC and CBDT Circular no. 15/2014 (dated October 17, 2014). The non-resident Noteholders shall be obliged to provide all necessary information and documents, as may be required by the Issuer.

Withholding tax

Since the interest payable on the Notes is subject to taxation in India, there is a requirement to withhold tax at the applicable rate i.e. at 5.0 per cent (plus applicable surcharge, education cess and secondary and higher education cess), subject to any lower rate of tax provided by an applicable Tax Treaty.

Pursuant to the terms and conditions of the Notes, all payments of, or in respect of, principal and interest on the Notes, will be made free and clear of and without withholding or deduction on account of any present or future taxes within India unless it is required by law or where the laws undergo any amendment, in which case pursuant to Condition 9.1, the Issuer will pay additional amounts as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction, subject to certain exceptions.

Taxation of gains arising on disposal (transfer) of Notes

Any gains arising to a non-resident investor from the transfer of a capital asset held (or deemed to be held) will be chargeable to income tax in India if such capital asset is regarded as property situated in India. Transfer has *inter alia* been defined under the Income Tax Act to include sale, exchange, relinquishment of a capital asset or extinguishment of any rights therein. In this regard, the term "capital asset" has been defined under the Income Tax Act to mean property of any kind held by a taxpayer, whether or not connected with his business or profession. A non-resident investor generally will not be chargeable to income tax in India from a transfer of the Notes held as a capital asset provided that the Notes are regarded as being situated outside India. The issue as to where the Notes should properly be regarded as being situated is not free from doubt. The ultimate decision, however, will depend on the view taken by the Indian tax authorities on the position with respect to the situs of the rights being offered in respect of the Notes. There is a possibility that the Indian tax authorities may treat the Notes as being situated in India as the Issuer is incorporated in and resident in India. Potential investors should, in any event, consult their own tax advisers regarding the Indian tax consequences, as well as the computation of tax liability in India as a result of transfer of the Notes.

If the Notes are regarded as situated in India by the Indian tax authorities, as the Issuer is incorporated and a resident of India, upon transfer of a Note:

(i) a non-resident investor, who has held the Notes for a period of more than 36 months (long term capital asset) immediately preceding the date of their disposal, would be liable to pay capital gains tax at the rate of 10.0 per cent of the capital gains (plus applicable surcharge, education cess and secondary and higher education cess) in accordance with the provisions of the Income Tax Act, 1961. These rates are subject to any lower rate provided for by an applicable Tax Treaty;

(ii) a non-resident investor who has held the Notes for a period of 36 months or less (short term capital asset) would be liable to pay capital gains tax at rates ranging up to 40.0 per cent. (plus applicable surcharge, education cess and secondary and higher education cess), depending on the legal status of the non-resident investor (i.e. company, individual, trust, etc.) and his taxable income in India, subject to any lower rate provided for by an applicable Tax Treaty; and

(iii) any income arising to a non-resident investor from the transfer of the Notes held as stock-in-trade would be considered as business income. Business income would be subject to income tax in India only to the extent, it is attributable to a "business connection in India" or, in case where a Tax Treaty is applicable, to a "permanent establishment" of the non-resident investor in India. A non-resident investor would be liable to pay Indian tax on such income at rates ranging upto 40.0 per cent. (plus applicable surcharge, education cess and secondary and higher education cess) depending on the legal status of the non-resident investor and his taxable income in India, subject to any lower rate provided for by a Tax Treaty.

If applicable, under the tax law, tax shall be withheld by the person making any payment to a non-resident on long term capital gains at 10 per cent (plus applicable surcharge, education cess and secondary and higher education cess) and short term capital gains at 30 per cent or 40 per cent (plus applicable surcharge, education cess and secondary and higher education cess), depending on the legal status of the recipient of income, subject to any lower rate provided for by a Tax Treaty. Tax payable shall be computed in such manner as prescribed in this regard under the Income Tax Act. For the purpose of tax withholding, the non-resident Noteholders shall be obliged to provide Permanent Account Number allotted by the Tax Authorities and all prescribed information/documents, including Tax Residency Certificate (issued by the Tax Authorities of the country in which the investor is resident) for claiming the Tax Treaty benefits.

Anti-avoidance provisions

Under the Income Tax Act, there are both specific as well as generic anti-avoidance provisions relating to tax like transfer pricing provisions and General Anti-Avoidance Rules (**GAAR**).

Under the transfer pricing provisions, any income arising from an international transaction between two related parties have to be computed having regard to the arm's length price (**ALP**). In the event that the Notes are transferred by a non-resident investor to another non-resident investor and such non-resident investors are related parties in accordance with the provisions of the Income Tax Act, then the transactions would have to be at ALP and necessary compliances are required to be undertaken by the investors.

GAAR provisions will be effective from 1 April 2015. Under the GAAR, an arrangement whose main purpose is to obtain tax benefits, may be declared as an 'impermissible avoidance arrangement', if it satisfies any one of the following four tests:

(i) The arrangement creates rights and obligations, which are normally created between the parties dealing at arm's length;

(ii) It results in misuse or abuse of provisions of the tax laws;

(iii) It lacks commercial substance or is deemed to lack commercial substance; or

(iv) It is carried out in a manner, which is normally not employed for a bonafide purpose.

If GAAR provisions are invoked, it could result in significant implications for the parties to the transaction including *inter alia*, disregarding, combining or recharacterisation of any step in or part or whole of the impermissible avoidance arrangement, considering or looking through any arrangement by disregarding any corporate structure, denial of any tax benefit claimed by the taxpayer or denial of benefit claimed by the non-resident under a tax treaty.

However, in relation to the Finance Bill, 2015 it is proposed to defer the application of GAAR by two years, i.e., with effect from 1 April 2017. Further, it also proposes that the relevant rules will be amended to protect the investments made up to 31 March 2017 from the applicability of GAAR provisions.

Wealth Tax

No wealth tax is payable at present in relation to the Notes. Wealth tax is not imposed in respect of the Notes held outside India. The Finance Bill, 2015 has proposed to abolish the wealth tax entirely. There are no inheritance taxes or succession duties currently imposed in respect of the Notes held outside India.

Taxation of persons ordinarily resident in India

Any income received in respect of the Notes by a person ordinarily resident in India under the provisions of the Income Tax Act, may generally be subject to tax in India according to the personal rate applicable.

Estate Duty

No estate duty is payable at present in India in relation to the Notes.

Gift Tax

There is no gift tax payable at present in India in relation to the Notes.

Stamp Duty

A transfer of the Notes outside India will not give rise to any Indian stamp duty liability unless brought into India. Stamp duty would be payable if the Notes are brought into India for enforcement or for any other purpose. The amount of stamp duty payable would depend on the applicable State Stamp Act and the duty will have to be paid within a period of three months from the date the Notes are first received in India.

EU Savings Directive

Under Council Directive 2003/48/EC on the taxation of savings income (the **Savings Directive**), Member States are required to provide to the tax authorities of other Member States details of certain payments of interest (or similar income) paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

For a transitional period, Austria is required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments. The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 24 March 2014, the Council of the European Union adopted a Council Directive (the **Amending Directive**) amending and broadening the scope of the requirements described above. The Amending Directive requires Member States to apply these new requirements from 1 January 2017, and if they were to take effect the changes would expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities. They would also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported or subject to withholding. This approach would apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

However, the European Commission has proposed the repeal of the Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

The proposed financial transactions tax (FTT)

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**).

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

Joint statements issued by participating Member States indicate an intention to implement the FTT by 1 January 2016.

However the FTT proposal remains subject to negotiation between the participating Member States and the scope of any such tax is uncertain. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (**FATCA**) impose a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a "foreign financial institution", or **FFI** (as defined by FATCA)) that does not become a "**Participating FFI**" by entering into an agreement with the U.S. Internal Revenue Service (**IRS**) to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States account" of the Issuer (a **Recalcitrant Holder**).

The new withholding regime is now in effect for payments from sources within the United States and will apply to "**foreign passthru payments**" (a term not yet defined) no earlier than 1 January 2017. This withholding would potentially apply to payments in respect of (i) any Notes characterised as debt (or which are not otherwise characterized as equity and have a fixed term) for U.S. federal tax purposes that are issued after the "**grandfathering date**", which (A) with respect to Notes that give rise solely to foreign passthru payments, is the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register and (B) with respect to Notes that give rise to a dividend equivalent pursuant to section

871(m) of the Code (and therefore do not give rise to foreign passthru payments), is the date that is six months after the date on which obligations of their type are first treated as giving rise to dividend equivalents, or which are materially modified on or after the grandfathering date and (ii) any Notes characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Notes are issued on or before the grandfathering date, and additional Notes of the same series are issued after that date, the additional Notes may not be treated as grandfathered, which may have negative consequences for the existing Notes, including a negative impact on market price.

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an **IGA**). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a "**Reporting FI**" not subject to withholding under FATCA on any payments it receives. Further, an FFI in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being **FATCA Withholding**) from payments it makes. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States has initialed an agreement with India based largely on the Model 1 IGA (the **U.S.-India IGA**).

A Reporting FI would not be obliged to deduct any FATCA Withholding on payments it makes. Any issuer which is not a Reporting FI and financial institutions through which payments are made on any notes issued by such issuer may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such notes is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

Whilst the Notes are in global form and held within the ICSDs, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, any paying agent and the common depositary or common safekeeper, as the case may be, given that each of the entities in the payment chain between the Issuer and the participants in the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that the Notes may go into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, definitive notes will only be printed in remote circumstances.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and the U.S.-India IGA, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Notes.

Hiring Incentives to Restore Employment Act

The U.S. Hiring Incentives to Restore Employment Act introduced Section 871(m) of the Code, which treats a "dividend equivalent" payment as a dividend from sources within the United States. Under Section 871(m), such payments generally would be subject to a 30% U.S. withholding tax that may be reduced by an applicable tax treaty, eligible for credit against other U.S. tax liabilities or refunded, provided that the beneficial owner timely claims a credit or refund from the IRS. A "dividend equivalent" payment is (i) a substitute dividend payment made pursuant to a securities lending or a sale-repurchase transaction that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the United States, (ii) a payment made pursuant to a "specified notional principal contract" that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the United States, and

(iii) any other payment determined by the IRS to be substantially similar to a payment described in (i) and (ii). Proposed U.S. Treasury regulations expand the scope of withholding under Section 871(m) beginning 1 January 2016. Under these rules, withholding may be required even in the absence of any actual dividend-linked payment made pursuant to the instrument. While the proposed regulations provide for an exception for indices that satisfy certain criteria, it is not clear whether this exceptionwill apply to the relevant underlying index, if any. While significant aspects of the application of Section 871(m) to the Notes are uncertain, if the Issuer or any withholding agent determines that withholding is required, neither the Issuer nor any withholding agent will be required to pay any additional amounts with respect to amounts so withheld. Prospective investors should consult their tax advisers on the potential application of Section 871(m) to the Notes.

SUBSCRIPTION AND SALE

The Dealers have, in a programme agreement dated 2 April 2015 as amended, restated and/or supplemented from time to time (the **Programme Agreement**), agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith. The Programme Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such for Notes being made to the Issuer.

In order to facilitate the offering of any Tranche of the Notes, a nominated Dealer participating in the offering of the Tranche may engage in transactions that stabilise, maintain or otherwise affect, which support the market price of the relevant Notes during and after the offering of the Tranche. Specifically such persons may over-allot or create a short position in the Notes for their own account by selling more Notes than have been sold to them by the Issuer. Such persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may stabilise or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to stabilise or maintain the market price of the Notes at a level higher than that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilising or other transactions. Such transactions, if commenced, may be discontinued at any time, and must be brought to an end after a limited period. Under U.K. laws and regulations stabilising activities may only be carried on by the Stabilising Manager (or any person acting for the Stabilising Manager) named in the applicable Pricing Supplement and only for a period of 30 days following the Issue Date of the relevant Tranche of Notes.

United States

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

(i) the Notes have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States (or, in certain circumstances, to, or for the account or benefit of, U.S. persons) except in certain transactions exempt from the registration requirements of the Securities Act;

(ii) The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Notes will be issued in accordance with the provisions of U.S. Treasury Regulation §1.163 − 5(c)(2)(i)(D) (or any successor U.S. Treasury Regulation section, including without limitation, regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010), unless the relevant Pricing Supplement specifies that Notes will be issued in accordance with the provision of U.S. Treasury Regulation §1.163 − 5(c)(2)(i)(c) (or any successor U.S. Treasury Regulation section, including without limitation, regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010). Terms used in this paragraph have the meanings given to them by the U.S. Revenue Code of 1986 and regulations thereunder;

(iii) in connection with any Notes which are offered or sold outside the United States in reliance on an exemption from the registration requirements of the Securities Act provided under Category 2 of Regulation S (**Category 2 Notes**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver such Category 2 Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Category 2 Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Category 2 Notes during the distribution compliance period (as defined in Regulation S) a confirmation or other notice setting forth the restrictions on offers and sales of the Category 2 Notes within the United States or to, or for the account or benefit of, U.S. persons;

(iv) Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act; and

(v) each issuance of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement.

Terms used in this paragraph have the meanings given to them by Regulation S.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a **Non-exempt Offer**), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an **offer of Notes to the public** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression **Prospectus Directive** means Directive 2003/71/EC (as amended by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Notes having a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (**FSMA**) by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.

Italy

Each Dealer has represented, warranted and undertaken, and each further Dealer appointed under the Programme will be required to represent, warrant and undertake, that unless it is specified within the relevant Final Terms that a non-exempt offer may be made into Italy, the offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Offering Circular or of any other document relating to the Notes be distributed in the Republic of Italy, except:

(i) to qualified investors (*investitori qualificati*), as defined in Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the **Financial Services Act**) and Article 34-*ter*, first paragraph, letter (b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time (**Regulation No. 11971**); or

(ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-*ter* of Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of the Offering Circular or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above must be:

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the **Banking Act**); and

(b) in compliance with Article 129 of the Banking Act (as amended) and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and

(c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

Please note that in accordance with Article 100-bis of the Financial Services Act, where no exemption from the rules on public offerings applies under (i) and (ii) above, the subsequent distribution of the Notes on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of such Notes being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the investors.

The Netherlands

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes will only be offered in The Netherlands to qualified investors (as defined in the Prospectus Directive), unless such offer is made in accordance with the Dutch Financial Supervision Act (*Wet op het financieel toezicht*).

India

Each of the Dealers has represented and acknowledged, and each further Dealer appointed under the Programme will be required to represent and acknowledge, that (a) this Offering Circular has not been and will not be registered, produced or published as an offer document (whether a prospectus in respect of a public offer or information memorandum or private placement offer letter or other offering material in respect of any private placement under the Companies Act, 1956, Companies Act, 2013 or any other applicable Indian laws) with the Registrar of Companies or the Securities and Exchange Board of India or any other statutory or regulatory body of like nature in India save and except any information forming part of the Offering Circular which is mandatorily required to be disclosed or filed in India under any applicable Indian laws; and (b) the Notes will not be offered or sold, and have not been offered or sold to any person in India by means of any document and this Offering Circular or any other offering document or material relating to the Notes have not been and will not be circulated or distributed, directly or indirectly, to any person or to the public in India which would constitute an advertisement, invitation, offer, sale or solicitation of an offer to subscribe for or purchase any securities in violation of Indian laws.

Singapore

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore and the Notes will be offered pursuant to the exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the **Securities and Futures Act**). Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree that the Notes may not be offered or sold or be made the subject of an invitation for subscription or purchase nor may this Offering Circular or any other document or material in connection with the offer or sale or invitation for subscription or purchase of any Notes be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor pursuant to Section 274 of the Securities and Futures Act, (ii) to a relevant person under Section 275(1) of Securities and Futures Act, or to any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Where the Notes are subscribed or purchased under Section 275 of the Securities and Futures Act by a relevant person which is:

(a) a corporation (which is not an accredited investor as defined in Section 4A of the Securities and Futures Act) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor;

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the Securities and Futures Act of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable for six months after that corporation or that trust has acquired the Notes pursuant to an offer under Section 275 of the Securities and Futures Act except:

(i) to an institutional investor or to a relevant person defined in Section 275(2) of the Securities and Futures Act or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the Securities and Futures Act;

(ii) where no consideration is or will be given for the transfer; or

(iii) where the transfer is by operation of law; or

(iv) pursuant to Section 276(7) of the Securities and Futures Act or Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulation.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree that:

(a) it has not offered or sold, and will not offer or sell, in Hong Kong Special Administrative Region of the People's Republic of China (**Hong Kong**), by means of any document, any Notes (except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap.571) of Hong Kong) other than (i) to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance, or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued, or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance of Hong Kong and any rules made under that Ordinance.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the **FIEA**) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

General

Each Dealer has represented, warranted and undertaken and each further Dealer appointed under the Programme will be required to represent, warrant and undertake that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer, the Trustee nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer, the Trustee, the Arrangers and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Pricing Supplement.

Other Relationships

The Dealers and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. Each of the Dealers may have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer or its subsidiaries, jointly controlled entities or associated companies from time to time. In the ordinary course of their various business activities, the Dealers and their affiliates may make or hold (on their own account, on behalf of clients or in their capacity as investment advisers) a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments and enter into other transactions, including credit derivatives (such as asset swaps, repackaging and credit default swaps) in relation thereto. Such transactions, investments and securities activities may involve securities and instruments of the Issuer or its subsidiaries, jointly controlled entities or associated companies, including Notes issued under the Programme, may be entered into at the same time or proximate to offers and sales of Notes or at other times in the secondary market and be carried out with counterparties that are also purchasers, holders or sellers of Notes. Notes issued under the Programme may be purchased by or be allocated to any Dealer or an affiliate for asset management and/or proprietary purposes but not with a view to distribution.

Broker-dealer Affiliates

If a jurisdiction requires that such offering be made by a licensed broker or dealer and an Arranger or a Dealer or any affiliate of it is a licensed broker or dealer in that jurisdiction, such offering shall be deemed to be made by it or such affiliate on behalf of the Issuer in such jurisdiction.

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN INDIAN GAAP AND IFRS

The Issuer's financial statements included in this Offering Circular have been prepared in accordance with accounting policies followed by the Issuer which conform to Indian GAAP as applicable to the Issuer. Indian GAAP differ in certain significant respects from IFRS. Such differences involve methods for measuring amounts in the financial statements as well as in disclosures.

The following summarises certain general differences between Indian GAAP and IFRS that could have a significant impact on the financial position and operations of the issuer if its financial statements were prepared under IFRS. The summary below should not be considered exhaustive and no attempt has been made to identify possible future differences between Indian GAAP and IFRS as a result of prescribed changes in accounting standards nor to identify future differences that may affect the Issuer's financial statements as a result of transactions or events that may occur in future. No attempt has been made by the Issuer to quantify the effects of those differences, nor has a reconciliation of Indian GAAP to IFRS been undertaken by the Issuer. Had any such quantification or reconciliation been undertaken, other potential significant accounting and disclosure differences may have come to its attention, which are not identified below.

Prospective investors should consult their own professional advisors for an understanding of the principal differences between Indian GAAP and IFRS and how these differences might affect the financial statements of the Issuer presented in this Offering Circular.

Summary of Certain Differences

Topic	IFRS	Indian GAAP
Presentation of Financial Statements-Components of financial statements	The requirements for the presentation of financial statements, the guidelines for their structure and content are set out in IAS 1. A complete set of financial statements under IFRS comprises: (a) a statement of financial position; (b) a statement of comprehensive income/a statement displaying components of profit or loss (separate income statement) and a second statement beginning with profit or loss and displaying components of other comprehensive income; (c) statement of cash flow; (d) statement of changes in equity; and (e) notes including summary of accounting policies and explanatory notes.	The requirements for the presentation of financial statements are set out in Schedule VI to the Companies Act and the Accounting Standards (together with the Companies Act, collectively referred to as Indian GAAP) issued by the Institute of Chartered Accountants of India. The components of financial statements are (a) balance sheet (b) statement of profit and loss (c) cash flow statement (d) explanatory notes and a summary of accounting policies.
Presentation of Financial Statements-Comparative Information	Nature and amount of each item or class of items are disclosed. If it is impracticable to reclassify then the reason for not reclassifying and the nature of the adjustment that would have been made if the amounts had been reclassified needs to be stated.	No specific requirement. In practice, an explanatory note is included when comparatives are disclosed without identifying the nature or amount of the items reclassified.

Topic	IFRS	Indian GAAP
IAS 1, Presentation of Financial Statements-Balance sheet	An entity is required to present current and non-current assets, and current and non-current liabilities, as separate classification on the face of the balance sheet except when a presentation based on liquidity provides information that is more reliable and is more relevant. Minimum line item requirements are set out in IAS 1.	The Companies Act or other relevant statutes prescribe the form and content of balance sheet. These statutes specify the order in which the items are presented and the related disclosure.
Presentation of Financial Statements-Presentation of income statement	An analysis of expenses is presented using a classification based on either the nature of expenses or their function whichever provides information that is reliable and more relevant. If presented by function, specific disclosures by nature are provided in the notes. Profit or loss attributable to non-controlling interests and equity holders of the parent are disclosed in the statement of comprehensive income/income statement (if presented separately) as allocations of profit or loss for the period.	Schedule VI to the Companies Act only permits an analysis of expense by nature. Profit or loss attributable to minority interests is disclosed as a deduction from the profit or loss for the period as an item of income or expense.
Presentation of Financial Statements-Statement of changes in equity	A statement of changes in equity is presented showing: a) Amount of transactions with equity holders acting in their capacity as equity holders, showing separately distributions to equity holders. b) The total comprehensive income for the period. c) Effects of retrospective application or restatement on each component of equity. d) For each component of equity, a reconciliation between the opening and closing balances separately disclosing each change.	A statement of changes in equity is not required. Movements in share capital, retained earnings and other reserves are presented in the Schedules to Financial Statements.

Topic	IFRS	Indian GAAP
Presentation of Financial Statements-Extraordinary items	Presentation of any items of income or expense as extraordinary is prohibited.	AS-5 Extraordinary items are disclosed separately in the profit and loss account and are included in determination of net profit or loss. Items of income or expense to be disclosed as extraordinary should be distinct from the ordinary activities and are determined by the nature of the event or transaction in relation to the business ordinarily carried out by an entity.
Inventories, Net realisable value	A new assessment of net realisable value is required to be made in each subsequent period. Write-down of inventory is reversed if circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in the net realisable value because of changes in economic circumstances.	No specific guidance in AS 2. However reversals may be permitted as AS 5, Net Profit or Loss for the period, Prior Period Items and Changes in Accounting Policies requires this to be disclosed as a separate line item in the statement of profit or loss.
Cash Flow Statement-Bank overdrafts	Included if they form an integral part of an entity's cash management. Usually, these bank balances often fluctuate from being positive to overdrawn. In such cases, bank overdrafts form a part of cash and cash equivalents.	Bank overdrafts are considered to be financing activities.
Cash Flow Statement-Cash flows from extraordinary items	As presentation of items as extraordinary is not permitted in accordance with IAS 1, cash flow statement does not reflect any items of cash flow as extraordinary.	Cash flows from items disclosed as extraordinary are classified as arising from operating, investing or financing activities and separately disclosed.
Cash Flow Statement-Interest and dividend	May be classified as operating, investing or financing activities in a manner consistent from period to period.	Interest and dividends received are required to be classified as investing activities. Interest and dividends paid are required to be classified as financing activities other than for financial enterprises.

Topic	IFRS	Indian GAAP
Changes in Accounting Policies and Errors	Retrospective application of changes in accounting policies is done by adjusting the opening balance of the affected component of equity for the earliest prior period presented and the other comparative amounts for each period presented as if the new accounting policy were always applied. If retrospective application is impracticable for a particular prior period, or for a period before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied needs to be stated. Material prior year errors are corrected retrospectively by restating the comparative amounts for prior periods presented in which the error occurred or if the error occurred before the earliest period presented, by restating the opening statement of financial position.	Changes in accounting policies are not applied retrospectively. The cumulative impact arising from such change is made in the financial statements in the period of change. If the impact of the change is not ascertainable, this should be disclosed. Material prior year errors are included in determination of profit or loss in the period in which the error is discovered and are separately presented in the profit and loss, so that the impact can be perceived.
New accounting pronouncements	New accounting pronouncements that have been issued but not effective on the balance sheet date are disclosed. Known or reasonably estimable information relevant to assessing the possible impact of the new accounting pronouncements on initial application on the financial statements is disclosed.	Not required.
Events after balance sheet date-Dividends	Liability for dividends declared to holders of equity instruments are recognised in the period when declared.	Dividends are recognised as an appropriation from profits and recorded as liability at the balance sheet date, if proposed or declared subsequent to the reporting period but before approval of the financial statements.

Topic	IFRS	Indian GAAP
Income Taxes-Recognition of deferred liabilities	Deferred income taxes are recognised for all taxable temporary differences between accounting and tax base of assets and liabilities except to the extent they arise from (a) initial recognition of goodwill or (b) of asset or liability in a transaction which is not a business combination; and at the time of the transaction, affects neither the accounting nor the tax profit.	Deferred tax liabilities are recognised for all timing differences in respect of recognition of items of profit or loss for the purposes of financial reporting and for income taxes.
Income Taxes-Recognition of deferred tax assets	Deferred tax asset is recognised for carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and tax credits can be utilised.	Deferred tax asset for unused tax losses and unabsorbed depreciation is recognised only to the extent that there is virtual certainty supported by evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax asset for all other unused credits is recognised only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.
Income Taxes-recognition of taxes on items recognised in other comprehensive income or directly in equity	Current tax and deferred tax is recognised outside profit or loss if the tax relates to items that are recognised in the same or a different period, outside profit or loss. Therefore the tax on items recognised in other comprehensive income, or directly in equity, is also recorded in other comprehensive income or in equity, as appropriate.	No specific guidance in AS 22. However, an announcement made by the ICAI requires any expense charged directly to reserves and/or securities premium account to be net of tax benefits expected to arise from the admissibility of such expenses for tax purposes. Similarly, any income credited directly to a reserve account or a similar account should be net of its tax effect.
Income Taxes-Investments in subsidiaries, branches and associates, and interests in joint ventures	Deferred tax liability for all taxable temporary differences are recognised except to the extent that: (a) the parent, investor or the venture is able to control timing of the reversal of the temporary difference, and (b) it is probable that the temporary difference will not reverse in the foreseeable future.	Not required.

Topic	IFRS	Indian GAAP
Income Taxes-deferred tax on unrealised intra-group profits	Deferred tax on unrealised intra-group profits is recognised at the buyer's rate.	Deferred tax expense is an aggregation from separate financial statements of each group entity and no adjustment is made on consolidation.
Property, Plant and Equipment-cost of major inspection	Costs of major inspections and overhauls are recognised in the carrying amount of property, plant and equipment.	Costs of major inspections are expensed when incurred.
Property, Plant and Equipment-revaluation	If an entity adopts the revaluation model, revaluations are required to be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.	No specific requirement on frequency of revaluation.
Leases-interest in leasehold land	Recognised as operating/finance lease (i.e., prepayment) unless the leasehold interest is accounted for as investment property in accordance with IAS 40 and the fair value model is adopted.	Recognised as property, plant and equipment regardless of whether title is expected to pass to the lessee by the end of the lease term.
Determining whether an arrangement contains a lease	An arrangement that does not take the legal form of a lease but fulfilment of which is dependent on the use of specific assets and which conveys the right to use the assets is accounted for as a lease in accordance with IAS 17.	There is no such requirement.
Lease incentives-Operating Leases	The lessor and lessee recognises lease incentives as an increase or reduction of rental expense over the lease term, on a straightline basis unless another systematic basis is representative of the time pattern of the lessee's benefit from use of the leased asset.	There is no specific guidance.

Topic	IFRS	Indian GAAP
Revenues-definition	Revenue is the gross inflow of economic benefits during the period arising in the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants. Amounts collected on behalf of third parties such as sales and service taxes and value added taxes are excluded from revenues.	AS-9 Revenue is the gross inflow of cash, receivables or other consideration arising in the course of the ordinary activities. Revenue is measured by the charges made to customers for goods supplied and services rendered to them and by the charges and rewards arising from the use of resources by them. Revenue is presented as under: Turnover Rs.100 Less: Excise Duty Rs.15 Turnover (Net) Rs.85
Revenues-measurement	Fair value of revenue from sale of goods and services when the inflow of cash and cash equivalents is deferred is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of consideration is recognised as interest revenue using the effective interest method.	Revenue is recognised at the nominal amount of consideration receivable.
Revenues-interest	Interest income is recognised using the effective interest method.	Interest is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.
Employee benefits-actuarial gains and losses	Actuarial gains and losses may be: • recognised immediately in profit or loss; • recognised immediately in other comprehensive income; or • deferred up to a maximum with any excess of 10 per cent., of the greater of the defined benefit obligation or the fair value of the plan assets at the end of the previous reporting period being recognised over the expected average remaining working lives of the participating employees or other accelerated basis.	Actuarial gains and losses should be recognised immediately in the statement of profit and loss as income or expense.

Topic	IFRS	Indian GAAP
Employee benefits-discount rate	Market yields at the balance sheet on high quality corporate bonds are used as discount rates. In countries where there are no deep markets for such bonds, market yields on government bonds are used.	Market yields at the balance sheet date on government bonds are used as discount rates.
Government Grants-non-monetary assets	The asset and the grant may be accounted at fair value. Alternatively, these can be accounted at nominal value.	If the asset is given by the government at a discounted price, the asset and the grant is accounted at the discounted purchase price. All other non-monetary grants are accounted at nominal values.
Government Grants-repayment	If repayment of government grant relating to an asset is recorded by increasing the carrying amount of the asset, the cumulative additional depreciation that would have been recognised in the absence of the grant is immediately recognised as an expense. It is prohibited from being disclosed as extraordinary item.	AS-12 If repayment of government grant relating to an asset is recorded by increasing the carrying amount of the asset, the cumulative additional depreciation that would have been recognised in absence of the grant is recognised over the remaining useful life of the asset. Disclosed as an extraordinary item.
Effects of Changes in Foreign Exchange Rates-functional and presentation currency	Functional currency is the currency of primary economic environment in which the entity operates. Presentation currency is the currency in which the financial statements are presented.	Foreign currency is a currency other than the reporting currency which is the currency in which financial statements are presented. There is no distinction between functional and presentation currency. The reporting currency is considered as the functional currency.

Topic	IFRS	Indian GAAP
Effects of Changes in Foreign Exchange Rates-exchange differences	Exchange differences arising on translation or settlement of foreign currency monetary items are recognised in profit or loss in the period in which they arise.	Similar to IFRS. However, as per the Companies (Accounting Standards) Amendment Rules 2009 and 2011 on Accounting Standard 11 (AS-11) notified by the Government exchange differences arising on reporting of long-term foreign currency monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, in so far as they relate to the acquisition of a depreciable capital asset, can be added to or deducted from the cost of the asset and shall be depreciated over the balance life of the asset and, in other cases, can be accumulated in a "Foreign Currency Monetary Item Translation Difference Account" and amortised over the balance period of such long term asset/liability or amortised over the balance period of such long term asset/ liability, not beyond 31 March 2020, as applicable.
Effects of Changes in Foreign Exchange Rates-translation in consolidated financial statements	Assets and liabilities should be translated from functional to presentation currency at the closing rate at the date of the balance sheet; income and expenses at average rate for the period; exchange differences are recognised as a separate component of equity and recycled to income statement on disposal of investment/operation.	Translation of financial statements to the reporting currency of the parent depends on the classification of that operation as integral or non-integral. Integral Operation: monetary assets are translated at closing rate; non-monetary items are translated at historical rate if they are valued at cost and at closing rate if they are valued on another valuation basis. Income and expense items are translated at average rate. Exchange differences are taken to statement of Profit and Loss. For non-integral operations, the closing rate method should be followed i.e., assets and liabilities are translated at closing rate while Profit and Loss items are translated at actual/average rates. The resulting exchange difference is taken to reserve and is recycled to Profit and Loss on the disposal of the non-integral foreign operation.

Topic	IFRS	Indian GAAP
Borrowing cost-recognition	Capitalised if these costs are attributable to the acquisition, construction or production of a qualifying asset. Interest expense included in borrowing costs is calculated using the effective interest method as described in IAS 39: Financial Instruments: Recognition and Measurement. It is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. Transaction costs are taken into account when determining the initial net carrying amount, their recognition in profit or loss is effectively spread over the life of the instrument.	Borrowing costs are required to be capitalised if these costs are attributable to the acquisition, construction or production of a qualifying asset. Interest is calculated on amount of loan outstanding at the applicable rates.
Related Party Disclosures, identification	Related party includes post employment benefit plans for the benefit of employees of the reporting entity or any entity that is a related party of the reporting entity.	Post employment benefit plans are not included as related parties.
Related Party Disclosures-key management personnel	Key management personnel include both executive and non-executive directors.	Key management personnel do not include non-executive directors.
Related Party Disclosures-Government related entities	Government related entities require disclosure of a) The name of the government and its relationship with the reporting entity. b) The nature and amount of each significant transaction and a qualitative or quantitive indication of other transactions which are significant collectively.	No disclosure is required in the financial statements of state-controlled enterprises as regards related party relationships with other state controlled enterprises and transactions with such enterprises.

Topic	IFRS	Indian GAAP
Consolidated and Separate Financial Statements-Scope	Required for all entities unless specific exemptions in IAS 27 apply. A parent need not prepare consolidated financial statements only if all the following conditions are met: • the entity is itself a wholly owned subsidiary or a partially owned subsidiary and its other owners have not objected to the entity not presenting consolidated financial statements; • the entity's debt or equity instruments are not traded in a public market; • the entity is not in a process of filing its financial statements for the purposes of issuing any class of instruments in a public market; and • the ultimate or any intermediate parent of the entity produces consolidated financial statements available for public use that comply with IFRSs.	Indian GAAP does not specify entities that are required to present consolidated financial statements. The accounting standard is required to be followed if consolidated financial statements are presented. The Securities Exchange Board of India (Indian Market Regulator) requires entities currently listed and to be listed to present consolidated financial statements.
Consolidated and Separate Financial Statements-definition of control	Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.	Control is: (a) The ownership, directly or indirectly through a subsidiary (or subsidiaries) of more than one-half of the voting power of an enterprise; or (b) Control of the composition of the board of directors in the case of a company or of the composition of the corresponding governing body in case of any other enterprise so as to obtain economic benefits from its activities.

Topic	IFRS	Indian GAAP
Consolidated and Separate Financial Statements-potential voting rights	The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by another entity, are considered when assessing control.	Potential voting rights are not considered in assessing control.
Consolidated and Separate Financial Statements-exclusion of subsidiaries, associates and joint ventures	If the acquisition of a subsidiary meets the criteria to be classified as held for sale in accordance with IFRS 5, it is included in the consolidation but is accounted for under that standard.	Excluded from consolidation, equity accounting and proportionate consolidation if the subsidiary was acquired with intent to dispose of it within twelve months or if it operates under severe long term restrictions which significantly impair its ability to transfer funds to the parent.
Consolidated and Separate Financial Statements-reporting dates	The difference between the reporting date of the subsidiary and that of the parent shall be no more than three months.	The difference between the reporting date of the subsidiary and that of the parent shall be no more than six months.
Consolidated and Separate Financial Statements-accounting policies	Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.	Similar to IFRS except if it is impracticable to use uniform accounting policies, that fact should be disclosed together with the proportions of the items in the consolidated financial statements to which different policies have been applied are disclosed.
Consolidated and Separate Financial Statements-disposals	Partial disposal of subsidiary where control is retained is accounted for as an equity transaction, and gain or loss is not recognised. Partial disposal of subsidiary resulting in loss of control triggers remeasurement of the residual holding to fair value. Any difference between the fair value and the carrying value is recognised as gain or loss in profit or loss.	No specific guidance.
Consolidated and Separate Financial Statements-accounting for investments in subsidiaries in separate financial statements	Accounted either at cost less impairment loss or as available for sale in accordance with IAS 39/ IFRS 9.	Accounted at cost less impairment loss.

Topic	IFRS	Indian GAAP
Investments in Associates-significant influence	The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by another entity, are considered when assessing significant influence.	Potential voting rights are not considered in assessing significant influence.
Investments in Associates-goodwill	Negative goodwill is excluded from the carrying amount of investment and is included as income in determination of the investor's share of associate's profit or loss.	AS-23 Negative goodwill (Capital Reserve) is included in the carrying amount of investment in the associate but is disclosed separately.
Investments in Associates-reporting date	The difference between the reporting date of the associate and that of the parent shall be no more than three months.	AS-23 The maximum difference between the reporting date of the associate and that of the parent is not specified.
Interests in Joint Ventures-alternative accounting methods	Investments in jointly controlled entities can be proportionately consolidated or equity accounted by the venture.	Equity method accounting is not permitted.
Financial Instruments: Presentation- classification of convertible debts	Split the instrument in liability and equity component at issuance.	Classified as debt based on its legal form and any interest expense is recognised based on the coupon rate.
Financial Instruments: Presentation- Treasury shares	If an entity reacquires its own shares (treasury shares), these are shown as a deduction from equity.	Acquiring own shares is permitted only in limited circumstances. Shares repurchased should be cancelled immediately and cannot be held as treasury shares.
Earnings Per Share-Extraordinary items	The control number for determining dilution is net profit or loss from continuing activities since no item can be presented as extraordinary item.	AS 20 The control number for determining dilution is net profit or loss from continuing ordinary activities. Earnings Per Share (**EPS**) with and without extraordinary items is to be presented.
Earnings per share-disclosure	IAS 33 requires separate disclosures for EPS from continuing and discontinued operations. Disclosure is also required for instruments (including contingently issuable shares) that could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are anti-dilutive for the periods presented.	No such disclosure is required.

Topic	IFRS	Indian GAAP
Impairment of Assets-reversal of impairment loss for goodwill	Impairment loss recognised for goodwill is prohibited from reversal in a subsequent period.	Impairment loss for goodwill is reversed if the impairment loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.
Provisions, Contingent Liabilities and Contingent Assets-discounting	Where the effect of time value of money is material, the amount of provision is the present value of the expenditure expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects the current market assessment of the time value of money and risks specific to the liability. The discount rate does not reflect risk for which future cash flow estimates have been adjusted.	Discounting of liabilities is not permitted and provisions are carried at their full values.
Provisions, Contingent Liabilities and Contingent Assets-contingent assets	Contingent assets are disclosed in the financial statements where an inflow of economic benefits is probable.	Contingent assets are not disclosed in the financial statements.
Intangible assets-measurement	Intangible assets can be measured at either cost or revalued amount.	Measured only at cost.
Intangible assets-useful life	Useful life may be finite or indefinite.	Useful life may not be indefinite. There is a rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use.
Financial Instruments: Recognition and Measurement-investments, and loans and receivables	Financial instruments are classified as of fair value through Profit and Loss, held-to-maturity, loans and receivable and available-for-sale. Financial instruments are classified as held for trading if these are acquired principally for the purpose of selling and are part of a portfolio that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.	Investments are classified as long-term or current. Long term investments are carried at cost less provision for diminution in value, which is other than temporary. Current investments carried at lower of cost and fair value. Loans and receivables are measured at cost less valuation allowance.

Topic	IFRS	Indian GAAP
	Held-to-maturity investments are investments with fixed or determinable payments and fixed maturity for which an entity has positive intent and ability to hold to maturity. Held to maturity investments are measured at amortised cost using effective interest method. Loans and receivables have fixed or determinable payments that are not quoted in active market. Loans and receivables are measured at amortised cost using the effective interest method. Available-for-sale investments are those that do not qualify as of fair value through profit or loss, held-to-maturity investments or loans and receivables. Changes in fair value of available-for-sale investments are recognised as part of equity and recycled to profit and loss on disposal of investments. Unquoted investments whose fair values cannot be reliably measured are measured at cost.	
Financial Instruments: Recognition and Measurement - impairment	Impairment losses recognised in profit or loss for equity investment cannot be reversed through profit or loss.	Impairment losses recognised in profit or loss for equity investments are reversed through profit or loss.
Financial Instruments: Recognition and Measurement - foreign currency contracts	Forward exchange contract is measured at fair value at the balance sheet date. If the forward exchange contract meets the criteria of an effective hedge in accordance with IAS 39 (Revised) Financial Instruments: Recognition and Measurement, the gain or loss arising on fair valuation is recognised in the statement of changes in equity. If the hedge is ineffective, the gain or loss is recognised in determination of net income.	Premium or discount on forward exchange contracts is amortised and recognised in the profit and loss account over the period of such contracts.

Topic	IFRS	Indian GAAP
Financial Instruments: Recognition and Measurement-derivatives and embedded derivatives	Measured at fair values.	Currently there is no equivalent standard on derivatives except for certain forward exchange contracts within the scope of AS 11.
Financial Instruments: Recognition and Measurement-derivatives and hedge accounting	Hedge accounting (recognising the offsetting effects of fair value changes of both the hedging instrument and the hedged item in the same period's profit or loss) is permitted in certain circumstances, provided that the hedging relationship is clearly defined, measurable, and actually effective. IAS 39 provides for three types of hedges: • fair value hedge: if an entity hedges a change in fair value of a recognised asset or liability or firm commitment, the change in fair values of both the hedging instrument and the hedged item are recognised in profit or loss when they occur; • cash flow hedge: if an entity hedges changes in the future cash flows relating to a recognised asset or liability or a highly probable forecast transaction, then the change in fair value of the hedging instrument is recognised in other comprehensive income until such time as those future cash flows occur. The ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss in the period of such change; and • hedge of a net investment in a foreign entity: this is treated as a cash flow hedge. • A hedge of foreign currency risk in a firm commitment may be accounted for as a fair value hedge or as a cash flow hedge.	Currently there is no equivalent standard on derivatives. Forward contracts are covered by AS — 11. The ICAI vide announcement dated 11.02.2011, stated that for the entities covered by the converged Indian Accounting standards, "Ind AS 39 — Financial Instruments : Recognition and measurement" would apply. Ind AS 39 has not yet been notified by the Government of India under the Companies Act, 1956 for implementation.

Topic	IFRS	Indian GAAP
Non-current assets held for sale-recognition and measurement	Non-current assets to be disposed of are classified as held for sale when the asset is available for immediate sale and the sale is highly probable. Depreciation ceases on the date when the assets are classified as held for sale. Non-current assets classified as held for sale are measured at the lower of its carrying value and fair value less costs to sell.	There is no standard dealing with non-current assets held for sale, though AS 10 deals with assets held for disposal Items of fixed assets that have been retired from active use and are held for disposal are stated at the lower of their net book value and net realisable value and are shown separately in the financial statements. Any expected loss is recognised immediately in the statement of profit and loss.
Non-current assets held for sale-discontinued operations	An operation is classified as discontinued when it has either been disposed of or is classified as held for sale.	An operation is classified as discontinuing at the earlier of (a) a binding sale agreement for sale of the operation; and (b) on approval by the board of directors of a detailed formal plan and announcement of the plan.
Exploration for and evaluation of mineral resources	Exploration and evaluation assets are measured at cost or revaluation less accumulated amortisation and impairment loss. An entity determines the policy specifying which expenditures are recognised as exploration and evaluation assets.	There is no equivalent standard. However, there is a Guidance Note on Accounting for Oil and Gas Producing Activities. As per this note, there are two alternative methods for acquisition, exploration and development costs, viz. the Successful Efforts Method or the Full Cost Method. The Guidance Note recommends the former one. AS 28, Impairment of Assets is applicable irrespective of the method of accounting used.
Operating Segments-determination of segments	Operating segments are identified based on the financial information that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.	AS 17 requires an enterprise to identify two sets of segments (business and geographical), using a risks and rewards approach.

Topic	IFRS	Indian GAAP
Operating Segments-measurement	Segment profit or loss is reported on the same measurement basis as that used by the chief operating decision maker. There is no definition of segment revenue, segment expense, segment result, segment asset or segment liability. Requires reconciliation of segment performance measures, and segment assets and liabilities with the corresponding amounts reported in the financial statements.	Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the enterprise as a whole. Segment revenue, segment expense, segment result, segment asset and segment liability have been defined. A reconciliation is presented between the information disclosed for reportable segments and the aggregated information in the enterprise's financial statements.
Operating Segments-entity-wide disclosures	Requires disclosure of (a) external revenues from each product or service; (b) revenues from customers in the country of domicile and from foreign countries; and (c) geographical information on non-current assets located in the country of domicile and foreign countries. Information on major customer including total revenues from each major customer is disclosed if revenues from each customer is 10 per cent., or more of total segment revenues.	Disclosures are required based on the classification of segments as primary or secondary. Disclosure requirements for secondary reporting format are less detailed than those required for primary reporting formats.

GENERAL INFORMATION

Authorisation

1. The establishment and update of the Programme and the issue of Notes have been duly authorised by resolutions of the Board of Directors of the Issuer dated 28 September 2011. The borrowing limits for financial year 2014-15 have been duly authorised by the resolution of the Board of Directors of the Issuer dated 26 February 2014, as amended by the resolution of the Board of Directors of the Issuer dated 11 February 2015. The borrowing limits for financial year 2015-16 have been duly authorised by the resolution of the Board of Directors of the Issuer dated 11 February 2015.

RBI Approvals

2. Approval-in-principle has been granted by the RBI for the raising of an ECB of U.S.$1,000,000,000 by the Issuer through the Programme through its letter dated 26 August 2014. The Issuer is required to seek final approval of the RBI prior to the issuance of any Notes under the Programme.

Listing

3. Approval-in-principle has been granted for the listing and quotation of Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List.

   Admission to the Official List and quotation of any Notes on the SGX-ST are not to be taken as an indication of the merits of the Issuer, the Programme or the Notes. So long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that the Global Notes is exchanged for definitive Notes. In addition, in the event that the Global Notes is exchanged for definitive Notes, announcement of such exchange shall be made through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

Clearing systems

4. The Notes to be issued under the Programme have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system, the appropriate information will be specified in the applicable Pricing Supplement.

No significant change

5. Save as disclosed in this Offering Circular, there has been no significant or material adverse change in the financial or trading position of the Issuer since 31 December 2014.

Litigation

6. The Issuer is not involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer is aware) which may have or have had in the 12 months preceding the date of this document a significant effect on the financial position of the Issuer.

Accounts

7. The auditors of the Issuer in respect of the financial statements for the year ended 31 March 2014 and the nine months ended 31 December 2014 were as follows:

   N. K. Bhargava & Co.
   K. B. Chandna & Co.

   The auditors of the Issuer in respect of the financial statement for the year ended 31 March 2013 were as follows:

   Raj Har Gopal & Co.
   N.K. Bhargava & Co.

   The auditors of the Issuer in respect of the financial statement for the year ended 31 March 2012 were as follows:

   N.K. Bhargava & Co.
   Raj Har Gopal & Co.

   Such auditors have audited the Issuer's non-consolidated financial statements, without qualification, in accordance with generally accepted auditing standards in India for each of the periods mentioned above.

Trust Deed

8. The Trust Deed provides that the Trustee may rely on certificates or reports from the Auditors (as defined in the Trust Deed) or any other person in accordance with the provisions of the Trust Deed as conclusive evidence of the facts stated therein whether or not called for by or addressed to the Trustee and whether or not any such certificate or report or engagement letter or other document entered into by the Trustee and the Auditors or such other person in connection therewith contains a monetary or other limit on the liability of the Auditors or such other person. However, the Trustee will have no recourse to the Auditors or such other person in respect of such certificates or reports unless the Auditors or such other person have agreed to address such certificates or reports to the Trustee.

Documents Available

9. So long as Notes are capable of being issued under the Programme, copies of the following documents will, when published, be available from the corporate office of the Issuer and from the specified office of the Paying Agent in London:

   (a) the audited non-consolidated financial statements of the Issuer in respect of the financial years ended 31 March 2012, 2013 and 2014;

   (b) the unaudited non-consolidated financial statements of the Issuer for the nine months ended 31 December 2014;

   (c) the Programme Agreement, the Trust Deed, the Agency Agreement and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;

   (d) a copy of this Offering Circular;

(e) any future offering circulars, prospectuses, information memoranda and supplements including Pricing Supplements (save that a Pricing Supplement relating to an unlisted Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity) to this Offering Circular and any other documents incorporated herein or therein by reference; and

(f) in the case of each issue of listed Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

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Important Information Relating to the Financial Information Presented

The financial information included on pages F-3 to F-172 has been extracted without material adjustment from the Issuer's audited non-consolidated financial statements for the years ended 31 March 2012, 2013 and 2014 and the Issuer's unaudited non-consolidated financial results for the nine months ended 31 December 2014. The financial statements presented have been prepared in accordance with Indian GAAP, which differs in certain material respects to IFRS. For a description of certain differences between Indian GAAP and IFRS, see "*Summary of Significant Differences Between Indian GAAP and IFRS*" above.

The Issuer's auditors are appointed each year by the Comptroller and Auditor General of India (the **C&AG**), which is the authority for appointment of auditors of Government Companies in terms of section 619(2) of the Companies Act, 1956 (as replaced by section 139(5) of the Companies Act, 2013) of India. International accounting firms are not currently permitted to practise in India. Therefore, local firms of Chartered Accountants appointed by the C&AG undertake the audit of the Issuer's financial statements. It is not unusual for large public sector companies in India with widespread operations to have more than one firm appointed to audit the company's financial statements, with each firm given a particular region to audit. The auditors of the Issuer's financial statements are set out in paragraph 6 under "*General Information*" above.

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MayurVihar Phase-I, New Delhi – 110091.
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Limited Review Report

To,
The Board of Directors
Power Finance Corporation Ltd.

We have reviewed the accompanying statement of unaudited financial results of Power Finance Corporation Ltd. for the quarter and nine months ended 31st December, 2014 except for the disclosures regarding 'Public Shareholding' and 'Promoter and Promoter Group Shareholding' which have been traced from disclosures made by the management and have not been audited by us. This Statement is the responsibility of the Company's management and has been approved by the Board of Directors. Our responsibility is to issue a report on the Statement based on our review.

We conducted our review in accordance with the Standard on Review Engagement (SRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying statement of unaudited financial results prepared in accordance with applicable Accounting Standards and other recognised accounting practices and policies has not disclosed the information required to be disclosed in terms of Clause 41 of the Listing Agreement including the manner in which it is to be disclosed, or that it contains any material misstatement.

For N K Bhargava& Co.
Chartered Accountants
Firm Regd. No.000429N

(N.K.Bhargava)
Partner
Membership No.080624

For K. B. Chandna& Co.
Chartered Accountants
Firm's Regn. No.: 000862N

FRN : 000862N
NEW DELHI

(V.K.Gureja)
Partner
Membership No - 016521

Place: Delhi
Date: 11.02.2015

POWER FINANCE CORPORATION LIMITED

BALANCE SHEET AS AT 31st December, 2014

(₹ in crore)

			Description	Note Part A	As at 31.12.2014		As at 31.03.2014	
A	**EQUITY AND LIABILITIES**							
	(1)	**Shareholders' Funds**						
		(i)	Share Capital	1	1,320.04		1,320.04	
		(ii)	Reserves & Surplus	2	30,614.34	31,934.38	26,054.57	27,374.61
	(2)	**Non-Current Liabilities**						
		(i)	Long Term Borrowing	3				
			Secured		20,786.66		22,776.66	
			Un-secured		124,328.08	145,114.74	119,714.91	142,491.57
		(ii)	Deferred Tax Liabilities (Net)			235.26		274.22
		(iii)	Other Long Term Liabilities	4		321.73		347.62
		(iv)	Long Term Provisions	5		717.97		473.04
	(3)	**Current Liabilities**						
		(i)	Current Maturity of Long term Borrowing	3				
			Secured		1,990.00		0.00	
			Un-secured		19,666.43		15,409.00	
		(ii)	Short -Term Borrowing	3				
			Secured		89.39		0.00	
			Un-secured		4,095.44		1,314.49	
		(iii)	Other Current Liabilities	4	6,449.09		6,261.75	
		(iv)	Short Term Provisions	5	355.42	32,645.77	217.80	23,203.04
			Total			**210,969.85**		**194,164.10**
B	**ASSETS**							
	(1)	**Non-Current Assets**						
		(i)	Fixed Assets	6				
			Tangible Assets		102.64		102.31	
			Less: Accumulated Depreciation		40.38	62.26	34.13	68.18
			Intangible Assets		8.21		7.78	
			Less: Accumulated Amortization		6.24	1.97	5.33	2.45
		(ii)	Non-Current Investments	7				
			Trade		12.00		12.00	
			Others		336.34	348.34	336.34	348.34
		(iii)	Long Term Loans	8				
			Secured		144,882.95		133,815.75	
			Un-Secured		40,748.21	185,631.16	34,976.36	168,792.11
		(iv)	Other Non-Current Assets	9		224.69		209.68
	(2)	**Current Assets**						
		(i)	Current Investments	10	3.31		3.83	
		(ii)	Cash and Bank Balances	11	268.08		60.14	
		(iii)	Current Maturity of Long Term Loans	8				
			Secured		15,132.32		15,114.00	
			Un-Secured		1,932.28		2,928.95	
		(iv)	Short Term Loans	8				
			Secured		518.18		912.98	
			Un-Secured		1,996.74		1,483.20	
		(v)	Other Current Assets	9	4,850.52	24,701.43	4,240.24	24,743.34
			Total			**210,969.85**		**194,164.10**

	POWER FINANCE CORPORATION LIMITED					
	STATEMENT OF PROFIT AND LOSS FOR NINE MONTHS ENDED 31st DECEMBER, 2014					
						(₹ in crore)
	Description	**Note Part A**	**9 Months ended 31.12.2014**		**Year ended 31.03.2014**	
I.	**Revenue from Operations**					
	Interest	12	18,446.90		20,978.71	
	Other Operating Income	12	210.84	18,657.74	543.71	21,522.42
II.	**Other Income**					
	Other Income	13		13.56		15.04
III	**Total Revenue (I + II)**			**18,671.30**		**21,537.46**
IV.	**EXPENSES**					
	Interest, Finance and Other Charges	14		11,717.11		13,199.59
	Bond Issue Expenses	15		22.12		79.09
	Employee Benefit Expenses	16		63.78		79.56
	Provision for contingencies			566.60		469.89
	Provision for decline in value of investments			0.00		(0.15)
	Depreciation and Amortization expenses	6		4.49		4.93
	CSR and Sustainable Development Expenses			88.12		63.23
	Other Expenses	17		36.66		83.30
	Prior Period Items (Net)	18		(5.97)		(0.29)
	Total Expenses			**12,492.91**		**13,979.15**
V.	**Profit before exceptional and extraordinary items and tax (III-IV)**			**6,178.39**		**7,558.31**
VI.	Exceptional Items			0.00		0.00
VII.	**Profit before extraordinary items and tax (V-VI)**			**6,178.39**		**7,558.31**
VIII.	Extraordinary Items			0.00		0.00
IX.	**Profit Before Tax (VII-VIII)**			**6,178.39**		**7,558.31**
X.	**Tax Expenses**					
	(1) Current Tax					
	for current year		1,817.79		2,075.81	
	for earlier years		-	1,817.79	10.32	2,086.13
	(2) Deferred Tax liability(+) / Asset(-)			(37.97)		54.43
XI.	**Profit (Loss) for the year from continuing operations (IX-X)**			**4,398.57**		**5,417.75**
XII.	**Earnings per equity share of ₹ 10/- each**					
	(1) Basic (₹)			**33.32**		**41.04**
	(2) Diluted (₹)			**33.32**		**41.04**

NOTE - Part A - 1
SHARE CAPITAL

(₹ in crore)

	Description	As at 31.12.2014	As at 31.03.2014
A	**Authorized :**		
	200,00,00,000 Equity shares of ₹ 10/- each (Previous year 200,00,00,000 equity shares of ₹ 10/- each)	2,000.00	2,000.00
	Total	**2,000.00**	**2,000.00**
B	**Issued, subscribed and paid up :**		
	132,00,40,704 Equity shares of ₹ 10/- each fully paid-up (Previous year 132,00,15,011 equity shares of ₹ 10/- each fully paid up)	1,320.04	1,320.02
	Add: Nil Equity shares of ₹ 10/- each fully paid-up (previous year 25,693 equity shares of ₹ 10/- each fully paid-up)	0.00	0.02
	Total	**1,320.04**	**1,320.04**

NOTE - Part A - 2
RESERVES & SURPLUS

(₹ in crore)

	Description	As at 31.12.2014		As at 31.03.2014	
(A)	**Securities Premium Reserve**				
	Opening balance	4,096.37		4,094.50	
	Add : Addition during the year	0.00		1.87	
	Less: Issue Expenses (FPO)	0.00	4,096.37	0.00	4,096.37
(B)	**Debenture Redemption Reserve**				
	Opening balance	546.08		274.85	
	Add : Transfer from Profit and Loss Appropriation	233.72	779.80	271.23	546.08
(C)	**Others**				
(i)	**Reserve for Bad & doubtful debts u/s 36(1)(viia)(c) of Income-Tax Act,1961**				
	Opening balance	1,730.44		1,409.01	
	Add : Transfer from Profit and Loss Appropriation	281.47	2,011.91	321.43	1,730.44
(ii)	**Special Reserve created u/s 36(1)(viii) of Income Tax Act, 1961 upto Financial Year 1996-97**		599.85		599.85
(iii)	**Special Reserve created and maintained u/s 36(1)(viii) of Income Tax Act, 1961 from Financial Year 1997-98**				
	Opening balance	8,624.46		7,139.87	
	Add : Transfer from Profit and Loss Appropriation	1,336.85		1,464.74	
	Add : Transfer from Surplus	72.47		37.65	
	Less: Transfer to General Reserve	0.00	10,033.78	(17.80)	8,624.46
(iv)	**CSR and SD Reserve**				
	Opening balance	0.00		18.85	
	Less: Transfer to Surplus	0.00	0.00	(18.85)	0.00
(v)	**General Reserve**				
	Opening balance	3,594.29		3,034.49	
	Add : Transfer from Profit and Loss Appropriation	440.00		542.00	
	Add: Transferred from Special Reserve	0.00		17.80	
	Less: Transferred to Special Reserve	0.00	4,034.29	0.00	3,594.29
(vi)	**Foreign Currency Monetary Item Translation Difference A/c**				
	Opening balance	(709.21)		(477.97)	
	Add : Net addition during the year	163.12	(546.09)	(231.24)	(709.21)
(D)	**Surplus**				
	Opening balance	7,572.29		6,162.68	
	Add : Transfers from CSR and SD Reserve	0.00		18.85	
	Less: Adjustments during the current year	0.0000		0.0005	
	Less : Depreciation on Life Expired Assets*	(1.92)		0.00	
	Less : Transfers to Special Reserve under Income Tax Act, 1961	(72.47)		(37.65)	
	Add : Surplus retained from the Profit and Loss Appropriation for the year	2,106.53	9,604.43	1,428.41	7,572.29
			30,614.34		**26,054.57**

Note : Profit and Loss Appropriation

Description	As at 31.12.2014		As at 31.03.2014	
Profit after tax for the year		**4,398.57**		**5,417.75**
Less : Transfer to Reserves				
Transfer towards Reserve for Bad & Doubtful Debts u/s 36(1)(viia)(c) of Income Tax Act, 1961	281.47		321.43	
Transfer to Special Reserve created and maintained u/s 36(1)(viii) of Income Tax Act, 1961	1,336.85		1,464.74	
Debenture Redemption Reserve	233.72		271.23	
General Reserve	440.00	**2,292.04**	542.00	**2,599.40**
Less : Dividend & Corporate Dividend Tax				
Interim Dividend	0.00		1,161.64	
Proposed Final Dividend	0.00		26.40	
Corporate Dividend Tax on Interim Dividend	0.00		197.41	
Proposed Corporate Dividend Tax	0.00	**0.00**	4.49	**1,389.94**
Total		**2,106.53**		**1,428.41**

* Depreciaiton on assets expired on 01.04.2014 but carried at residual value till disposal

NOTE - Part A - 3
BORROWINGS

(₹ in crore)

Description	As at 31.12.2014			As at 31.03.2014		
	Current	Non-Current	Total	Current	Non-Current	Total
A. Long Term Borrowings						
I. Secured						
Bonds						
Infrastructure Bonds	0.00	361.55	361.55	0.00	361.55	361.55
Tax Free Bonds	0.00	11,275.11	11,275.11	0.00	11,275.11	11,275.11
Other Bonds	1,990.00	9,150.00	11,140.00	0.00	11,140.00	11,140.00
Sub Total (I)	**1,990.00**	**20,786.66**	**22,776.66**	**0.00**	**22,776.66**	**22,776.66**
II. Unsecured						
a) Bonds						
Other Bonds / Debentures	9,841.40	105,282.79	115,124.19	10,399.90	89,528.17	99,928.07
Subordinated Bonds	0.00	3,800.00	3,800.00	0.00	3,800.00	3,800.00
Foreign Currency Notes	0.00	1,148.40	1,148.40	0.00	1,088.82	1,088.82
	9,841.40	**110,231.19**	**120,072.59**	**10,399.90**	**94,416.99**	**104,816.89**
b) Foreign Currency Loans						
Foreign Currency Loans from Foreign banks / Financial Institutions (Guaranteed by the Govt. of India)	23.97	236.56	260.53	24.57	265.36	289.93
Syndicated Foreign Currency Loans from banks / Financial Institutions	5,485.06	3,531.33	9,016.39	3,674.53	3,872.56	7,547.09
	5,509.03	**3,767.89**	**9,276.92**	**3,699.10**	**4,137.92**	**7,837.02**
c) Rupee Term Loans						
Rupee Term Loans (From Banks)	4,316.00	10,329.00	14,645.00	810.00	21,160.00	21,970.00
Rupee Term Loans (From Financial Institutions)	0.00	0.00	0.00	500.00	0.00	500.00
	4,316.00	**10,329.00**	**14,645.00**	**1,310.00**	**21,160.00**	**22,470.00**
Sub Total (II)	**19,666.43**	**124,328.08**	**143,994.51**	**15,409.00**	**119,714.91**	**135,123.91**
B. Short Term Borrowings						
Rupee Term Loans						
I. Secured						
Loan against FD	89.39	0.00	89.39	0.00	0.00	0.00
Sub Total (I)	**89.39**	**0.00**	**89.39**	**0.00**	**0.00**	**0.00**
I. Unsecured						
Commercial Paper	2,091.09	0.00	2,091.09	1,314.49	0.00	1,314.49
Working Capital Demand Loan / OD / CC / Line of Credit	2,004.35	0.00	2,004.35	0.00	0.00	0.00
Sub Total (II)	**4,095.44**	**0.00**	**4,095.44**	**1,314.49**	**0.00**	**1,314.49**
Total (A) + (B)	**25,841.26**	**145,114.74**	**170,956.00**	**16,723.49**	**142,491.57**	**159,215.06**

NOTE - Part A - 4

OTHER LONG TERM & CURRENT LIABILITIES

(₹ in crore)

Description	As at 31.12.2014			As at 31.03.2014		
	Short Term	Long Term	Total	Short Term	Long Term	Total
Interest Subsidy Fund from GOI	14.55	91.98	**106.53**	21.93	101.94	**123.87**
Interest Differential Fund - KFW	0.00	55.49	**55.49**	0.00	54.63	**54.63**
Advance received / amount payable to Subsidiaries (including interest payable thereon)	163.82	169.30	**333.12**	163.70	160.95	**324.65**
Sub Total	**178.37**	**316.77**	**495.14**	**185.63**	**317.52**	**503.15**
Interest Accrued but not due :						
On Bonds	5,993.00	0.00	**5,993.00**	5,874.55	0.00	**5,874.55**
On Loans	154.86	0.00	**154.86**	92.11	0.00	**92.11**
On Interest subsidy fund from GoI	7.25	0.00	**7.25**	0.00	0.00	**0.00**
Sub Total	**6,155.11**	**0.00**	**6,155.11**	**5,966.66**	**0.00**	**5,966.66**
Unpaid / Unclaimed						
Bonds	4.06	0.00	**4.06**	4.54	0.00	**4.54**
Interest on Bonds	2.36	0.00	**2.36**	1.96	0.00	**1.96**
Dividend	1.37	0.00	**1.37**	1.45	0.00	**1.45**
Sub Total	**7.79**	**0.00**	**7.79**	**7.95**	**0.00**	**7.95**
Others	107.82	4.96	**112.78**	101.51	30.10	**131.61**
Sub Total	**107.82**	**4.96**	**112.78**	**101.51**	**30.10**	**131.61**
Grand Total	**6,449.09**	**321.73**	**6,770.82**	**6,261.75**	**347.62**	**6,609.37**

NOTE - Part A - 5
PROVISIONS - LONG TERM AND SHORT TERM

(₹ in crore)

	Description	As at 31.12.2014			As at 31.03.2014		
		Short Term	Long Term	Total	Short Term	Long Term	Total
I.	**Employee Benefits**						
	Economic Rehabilitation of Employees	0.12	1.11	**1.23**	0.12	1.12	**1.24**
	Leave Encashment	1.11	22.04	**23.15**	0.99	19.67	**20.66**
	Staff Welfare Expenses	0.98	16.44	**17.42**	0.92	14.96	**15.88**
	Gratuity / Superannuation Fund	0.60	0.00	**0.60**	0.93	0.00	**0.93**
	Sub Total	**2.81**	**39.59**	**42.40**	**2.96**	**35.75**	**38.71**
II.	**Others**						
	Income Tax (net)	46.67	54.29	**100.96**	96.44	23.05	**119.49**
	CSR & SD Expenses	107.53	0.00	**107.53**	32.33	0.00	**32.33**
	Contingent provision against Standard Assets	54.36	406.59	**460.95**	55.18	414.24	**469.42**
	Accumulated Contingent Provisions against Restructured Standard Assets	144.05	217.50	**361.55**	0.00	0.00	**0.00**
	Proposed Final Dividend	0.00	0.00	**0.00**	26.40	0.00	**26.40**
	Proposed Corporate Dividend Tax	0.00	0.00	**0.00**	4.49	0.00	**4.49**
	Sub Total	**352.61**	**678.38**	**1,030.99**	**214.84**	**437.29**	**652.13**
	Grand Total	**355.42**	**717.97**	**1,073.39**	**217.80**	**473.04**	**690.84**

NOTE - Part A - 6

FIXED ASSETS

(₹ in crore)

	Description	GROSS BLOCK				DEPRECIATION						NET BLOCK	
		Opening Balance as at 01.04.2014	Additions / Adjustments	Deductions / Adjustments	Closing Balance as at 31.12.2014	Opening Balance as at 01.04.2014	For the year 01.04.2014 to 31.12.2014	Adjustment**	Prior period Adjustments	Withdrawn / Written back	Closing Balance as at 31.12.2014	As at 31.12.2014	As at 31.03.2014
I.	**Tangible Assets :**												
	Owned Assets												
	Land (Freehold)	3.38	0.00	0.00	3.38	0.00	0.00	0.00	0.00	0.00	0.00	3.38	3.38
	Land (Leasehold)	37.86	0.00	0.00	37.86	0.00	0.00	0.00	0.00	0.00	0.00	37.86	37.87
	Buildings	24.92	0.00	0.00	24.92	8.09	0.62	0.00	0.00	0.00	8.71	16.21	16.83
	EDP Equipments	14.28	0.19	0.14	14.33	11.82	1.11	0.33	0.00	0.12	13.14	1.19	2.45
	Office and other equipments	14.14	0.32	0.10	14.36	8.50	1.22	2.57	0.00	0.06	12.23	2.13	5.65
	Furniture & Fixtures	7.57	0.05	0.03	7.59	5.65	0.59	0.01	0.00	0.01	6.24	1.35	1.91
	Vehicles	0.16	0.09	0.05	0.20	0.07	0.04	0.00	0.00	0.05	0.06	0.14	0.09
	Total	**102.31**	**0.65**	**0.32**	**102.64**	**34.13**	**3.58**	**2.91**	**0.00**	**0.24**	**40.38**	**62.26**	**68.18**
	Previous year	**102.40**	**1.46**	**0.54**	**102.31**	**30.83**	**3.67**	**0.00**	**0.00**	**0.37**	**34.13**	**68.18**	**70.56**
II.	**Intangible Assets :**												
	Purchased Software (Useful Life - 5 years)	**7.78**	**0.43**	**0.00**	**8.21**	**5.33**	**0.91**	**0.00**	**0.00**	**0.00**	**6.24**	**1.97**	**2.45**
	Previous year	**7.89**	**0.01**	**0.10**	**7.78**	**4.09**	**1.26**	**0.00**	**(0.02)**	**0.00**	**5.33**	**2.45**	**3.78**

**** Depreciation Adjustment in surplus account on life expired assets as per Companies Act, 2013.**

NOTE - Part A - 7

NON- CURRENT INVESTMENTS

(₹ in crore)

	Description	As at 31.12.2014		As at 31.03.2014	
(A)	**Trade Investments (Quoted)**				
I.	**Equity Instruments**				
	- Valued at Cost				
	1,20,00,000 (Previous year 1,20,00,000) Equity Shares of ₹ 10/- each fully paid up of PTC Ltd.		12.00		12.00
	Sub Total		**12.00**		**12.00**
(B)	**Other Investments (Unquoted-Non Trade)**				
I.	**Equity Instruments**				
	21,87,015 (Previous year 21,87,015 Equity Shares of ₹ 10/- each fully paid up of National Power Exchange Ltd.		2.19		2.19
	32,20,000 (Previous Year 32,20,000) Equity Shares of Rs. ₹ 10/- each fully paid up of Power Exchange India Ltd.		3.22		3.22
	2,25,00,000 (Previous Year 2,25,00,000) Equity Shares of ₹ 10/- each fully paid up of Energy Efficiency Services Ltd		22.50		22.50
	10,07,50,000 (Previous Year 10,07,50,000) Equity Shares of ₹ 10/- each fully paid up of Subsidiaries		100.75		100.75
II.	**Preference Shares**				
	20,00,00,000 (Previous Year 20,00,00,000) 10% Cumulative Fully Convertible Preference shares of ₹10/- each fully paid up of Subsidiaries		200.00		200.00
III.	**Others**				
- Valued at Cost (Less diminution, if any, other than temporary)					
	76,82,816 (Previous year 76,82,816) Units of " Small is Beautiful " Fund of KSK Investment Advisor Pvt. Ltd. (Face value per unit is ₹ 10)	7.68		7.68	
	Less : Provision for diminution	0.00	7.68	0.00	7.68
	Sub Total		**336.34**		**336.34**
	TOTAL		**348.34**		**348.34**

NOTE - Part A - 8
LOANS

(₹ in crore)

Description	As at 31.12.2014 Current maturities (Twelve Months)		As at 31.12.2014 Non-Current		As at 31.12.2014 Total		As at 31.03.2014 Current maturities (Twelve Months)		As at 31.03.2014 Non-Current		As at 31.03.2014 Total	
A. Long Term Loans												
I Secured Loans												
a) Considered Good												
Rupee Term Loans (RTLs) to State Electricity Boards, State Power Corporations, Central Public Sector Undertakings, JV 619B Borrowers and State Governments	11,138.22		122,252.29		**133,390.51**		12,822.05		114,952.56		**127,774.61**	
RTLs to Independent Power Producers	1,242.15		20,534.21		**21,776.36**		1,047.01		16,706.58		**17,753.59**	
Foreign Currency Loans to Independent Power Producers	28.90		29.49		**58.39**		30.32		47.78		**78.10**	
Foreign Currency Loans to State Power Utilities	13.53		20.30		**33.83**		12.83		25.66		**38.49**	
Buyer's Line of Credit	104.15		466.40		**570.55**		67.94		492.07		**560.01**	
Lease Financing to Borrowers	20.83		204.09		**224.92**		33.15		209.39		**242.54**	
RTLs to Equipment Manufacturers	312.31		601.30		**913.61**		247.69		810.65		**1,058.34**	
Incomes accrued & due on loans	1,503.18	14,363.27	0.00	144,108.08	**1,503.18**	**158,471.35**	438.65	14,699.64	0.00	133,244.69	**438.65**	**147,944.33**
b) Others												
RTL to State Electricity Boards, State Power Corporations, Central Public Sector Undertakings, JV 619B Borrowers and State Governments - NPA	374.34		347.61		**721.95**		0.00		0.00		**0.00**	
Less: Provision for contingencies	37.43	336.91	34.76	312.85	**72.19**	**649.76**	0.00	0.00	0.00	0.00	**0.00**	**0.00**
RTL to Independent Power Producers - NPA	473.51		545.43		**1,018.94**		414.68		581.74		**996.42**	
Less: Provision for contingencies	135.74	337.77	155.95	389.48	**291.69**	**727.25**	88.62	326.06	107.42	474.32	**196.04**	**800.38**
FCL to Independent Power Producers - NPA	134.81		103.63		**238.44**		110.37		120.92		**231.29**	
Less: Provision for contingencies	40.44	94.37	31.09	72.54	**71.53**	**166.91**	22.07	88.30	24.18	96.74	**46.25**	**185.04**
Sub Total (I)		**15,132.32**		**144,882.95**		**160,015.27**		**15,114.00**		**133,815.75**		**148,929.75**

II. Un-Secured Loans												
a) Considered Good												
Rupee Term Loans (RTLs) to State Electricity Boards, State Power Corporations, Central Public Sector Undertakings and State Governments	1,364.34		30,326.00		**31,690.34**		2,683.35		25,746.29		**28,429.64**	
RTLs to Independent Power Producers	336.80		8,987.89		**9,324.69**		206.05		8,018.88		**8,224.93**	
Buyer's Line of Credit	0.00		0.00		**0.00**		0.00		11.17		**11.17**	
RTLs to Equipment Manufacturers	4.74		234.33		**239.07**		0.00		0.00		**0.00**	
Incomes accrued & due on loans	226.40	1,932.28	0.00	39,548.22	**226.40**	**41,480.50**	39.55	2,928.95	0.00	33,776.34	**39.55**	**36,705.29**
Sub Total (II)		**1,932.28**		**39,548.22**		**41,480.50**		**2,928.95**		**33,776.34**		**36,705.29**
Total A (I + II)		**17,064.60**		**184,431.17**		**201,495.77**		**18,042.95**		**167,592.09**		**185,635.04**
B. Bonds												
I Un-secured Bonds / Debentures												
Bonds / Debentures from State Power Corporations		0.00		1,170.50		**1,170.50**		0.00		1,170.50		**1,170.50**
Bonds / Debentures from Independent Power Producers		0.00		29.49		**29.49**		0.00		29.52		**29.52**
Total B		**0.00**		**1,199.99**		**1,199.99**		**0.00**		**1,200.02**		**1,200.02**
C. Short Term Loans												
I Secured Loans - Considered Good												
Working Capital Loans to State Electricity Boards and State Power Corporations		518.18		0.00		**518.18**		812.98		0.00		**812.98**
Working Capital Loans to Independent Power Producers		0.00		0.00		**0.00**		100.00		0.00		**100.00**
Incomes accrued & due on loans		0.00		0.00		**0.00**		0.00		0.00		**0.00**
Sub Total (I)		**518.18**		**0.00**		**518.18**		**912.98**		**0.00**		**912.98**
II Un-Secured Loans - Considered Good												
Working Capital Loans to State Electricity Boards and State Power Corporations		1,707.84		0.00		**1,707.84**		1,483.08		0.00		**1,483.08**
Working Capital Loans to Independent Power Producers		285.00		0.00		**285.00**		0.00		0.00		**0.00**
Incomes accrued & due on loans		3.90		0.00		**3.90**		0.12		0.00		**0.12**
Sub Total (II)		**1,996.74**		**0.00**		**1,996.74**		**1,483.20**		**0.00**		**1,483.20**
Total C (I + II)		**2,514.92**		**0.00**		**2,514.92**		**2,396.18**		**0.00**		**2,396.18**
Grand Total (A+B+C)		**19,579.52**		**185,631.16**		**205,210.68**		**20,439.13**		**168,792.11**		**189,231.24**

NOTE - Part A - 9
OTHER ASSETS

(₹ in crore)

			Description	As at 31.12.2014						As at 31.03.2014					
				Current		Non-Current		Total		Current		Non-Current		Total	
A	LOANS & ADVANCES														
	I	Loans (considered good)													
		a)	to Employees (Secured)	2.53		17.41		19.94		2.51		15.55		18.06	
		b)	to Employees (Unsecured)	5.36	7.89	37.95	55.36	43.31	63.25	5.32	7.83	35.70	51.25	41.02	59.08
	II	Advances (Unsecured considered good)													
		Advances recoverable in cash or in kind or for value to be received													
		a)	to Subsidiaries (including interest recoverable there on)	183.89		101.74		285.63		162.02		92.97		254.99	
		b)	to Employees	0.86		0.02		0.88		0.81		0.00		0.81	
		c)	Prepaid Expenses	2.43		0.00		2.43		2.11		0.00		2.11	
		d)	Others	181.38		0.34		181.72		99.72		0.33		100.05	
		e)	Advance Income Tax and Tax Deducted at Source (net)	0.00		52.80		52.80		0.00		53.37		53.37	
		f)	Security Deposits	3.55	372.11	0.02	154.92	3.57	527.03	3.55	268.21	0.02	146.69	3.57	414.90
B	OTHER ASSETS														
	I	Accrued but not due :													
		a)	Interest on Loan Assets	4,371.66		0.00		4,371.66		3,865.26		0.00		3,865.26	
		b)	Other charges	1.39		0.00		1.39		15.63		0.00		15.63	
		c)	Interest on Loans to Employee	0.28		14.41		14.69		0.25		11.74		11.99	
		d)	Interest on Deposits and Investments	1.14	4,374.47	0.00	14.41	1.14	4,388.88	0.00	3,881.14	0.00	11.74	0.00	3,892.88
C	Loans & Advances (Unsecured - Others)														
			Non Performing Assets (NPAs)	138.16		0.00		138.16		104.77		0.00		104.77	
			Less : Provision for contingencies	42.11	96.05	0.00	0.00	42.11	96.05	21.71	83.06	0.00	0.00	21.71	83.06
			Total		4,850.52		224.69		5,075.21		4,240.24		209.68		4,449.92

NOTE - Part A -10
CURRENT INVESTMENTS

(₹ in crore)

	Description	As at 31.12.2014		As at 31.03.2014	
A.	**Equity Instruments - Valued scrip wise at lower of cost or fair value (Trade and Quoted)**				
	5,39,349 Shares (Previous year - 5,39,349 Shares) (Face value of ₹ 10/- each fully paid up) of PGCIL purchased at a cost of ₹ 52	2.80		2.80	
	Less : Provision for diminution	0.00	2.80	0.00	2.80
	47,952 Shares (Previous year - 97,952 Shares) (Face value of ₹ 10/- each fully paid up) of REC Ltd. purchased at a cost of ₹ 105	0.51		1.03	
	Less : Provision for diminution	0.00	0.51	0.00	1.03
	Total		**3.31**		**3.83**

NOTE - Part A -11
CASH AND BANK BALANCES

(₹ in crore)

		Description	As at 31.12.2014		As at 31.03.2014	
A	**Cash and Cash Equivalents**					
	i)	Balances in current accounts with:				
		Reserve Bank of India	0.05		0.05	
		Scheduled Banks	0.15	0.20	0.23	0.28
	ii)	Cheques in hand		0.01		58.36
	iv)	Imprest with postal authority		0.0039		0.0039
	v)	Fixed Deposits with Scheduled Banks (original maturity up to three months)		266.46		0.00
	vi)	Balances in current accounts with scheduled banks for payment of interest on bonds, dividend, etc.		1.41		1.50
		Total		**268.08**		**60.14**

NOTE - Part A - 12
REVENUE FROM OPERATIONS

(₹ in crore)

	Description	9 Months ended 31.12.2014		Year ended 31.03.2014	
I.	**Interest**				
	Interest on Loans		18,429.88		20,953.45
	Lease income		17.02		25.26
	Sub Total (I)		**18,446.90**		**20,978.71**
II.	**Other Operating income**				
	Prepayment Premium on Loans		62.97		182.74
	Upfront fees on Loans		13.26		34.54
	Service charges on Loans		0.00		0.00
	Management, Agency & Guarantee Fees		63.88		142.64
	Commitment charges on Loans	1.11		4.15	
	Less : Commitment charges on Loans waived	(0.01)	1.10	(0.75)	3.40
	Income from surplus funds		64.01		161.89
	Nodal Agency Fees under R-APDRP		5.62		18.50
	Sub Total (II)		**210.84**		**543.71**
	Total		**18,657.74**		**21,522.42**

NOTE - Part A - 13
OTHER INCOME

(₹ in crore)

Description	9 Months ended 31.12.2014	Year ended 31.03.2014
Dividend / Interest Income on Non-Current Investments	2.40	1.92
Dividend Income on Current Investments	0.08	0.22
Profit on sale of Fixed Assets	0.02	0.01
Profit on sale of Current Investments	1.31	0.00
Interest on Income Tax Refund	0.17	2.42
Miscellaneous Income	7.13	8.11
Excess Liabilities written back	2.45	2.36
Total	**13.56**	**15.04**

NOTE - Part A - 14
INTEREST, FINANCE AND OTHER CHARGES

(₹ in crore)

	Description	9 Months ended 31.12.2014		Year ended 31.03.2014	
I.	**Interest**				
	On Bonds	9,039.60		10,682.71	
	On Loans	1,664.10		1,644.01	
	GOI on Interest Subsidy Fund	7.25		10.70	
	Financial Charges on Commercial Paper	243.32		192.22	
	Swap Premium (Net)	47.34	11,001.61	8.38	12,538.02
II.	**Other Charges**				
	Commitment & Agency Fees	0.42		0.41	
	Rebate for Timely Payment to Borrowers	192.47		205.90	
	Guarantee, Listing & Trusteeship fees	1.70		2.11	
	Management Fees on Foreign Currency Loans	44.62		0.25	
	Bank / Other Charges	0.02	239.23	0.03	208.70
	Interest paid on advances received from subsidiaries	4.25		6.56	
	Less : Interest received on advances given to subsidiaries	(6.57)	(2.32)	(6.21)	0.35
III.	Net Translation / Transaction Exchange Loss (+) / gain (-)		478.59		452.52
	Total		**11,717.11**		**13,199.59**

NOTE - Part A - 15
BOND ISSUE EXPENSES

(₹ in crore)

Description	9 Months ended 31.12.2014	Year ended 31.03.2014
Interest on Application Money	0.00	39.28
Credit Rating Fees	2.67	3.50
Other Issue Expenses	14.74	32.24
Stamp Duty Fees	4.71	4.07
Total	**22.12**	**79.09**

NOTE - Part A - 16
EMPLOYEE BENEFIT EXPENSES

(₹ in crore)

Description	9 Months ended 31.12.2014	Year ended 31.03.2014
Salaries and Wages	47.96	59.26
Contribution to Provident and other funds	5.28	6.80
Staff Welfare	7.32	9.31
Rent for Residential accommodation of employees	3.22	4.19
Total	**63.78**	**79.56**

NOTE - Part A - 17
OTHER EXPENSES

(₹ in crore)

Description	9 Months ended 31.12.2014	Year ended 31.03.2014
Administrative Expenses		
Office Rent	0.38	0.50
Electricity & Water charges	1.19	1.39
Insurance	0.03	0.04
Repairs & Maintenance	1.96	2.54
Stationery & Printing	1.31	1.68
Travelling & Conveyance	4.76	7.49
Postage, Telegraph & Telephone	1.46	1.73
Professional & Consultancy charges	0.67	0.65
Miscellaneous Expenses	11.15	18.84
Loss on sale of Fixed Assets	0.01	0.09
Auditors' remuneration	0.08	0.59
Service Tax	1.83	3.99
Rates & Taxes	0.72	0.88
Contribution to PMC (MoP)	0.34	0.30
Sub - Total (I)	**25.89**	**40.71**
Others		
R-APDRP Expenses	10.77	42.59
Sub - Total (II)	**10.77**	**42.59**
Total (I + II)	**36.66**	**83.30**

Note - Part A -18
PRIOR PERIOD ITEMS (NET)

(₹ in crore)

Description	9 Months ended 31.12.2014		Year ended 31.03.2014	
Prior Period Expenses :				
Interest & other Charges	(6.06)		0.30	
Issue Expenses	(0.02)		0.19	
Personnel & Administration Expenses - Others	0.11		(0.76)	
Depreciation	0.00	(5.97)	(0.02)	(0.29)
Total		(5.97)		(0.29)

N. K. Bhargava & Co.
Chartered Accountants,
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K. B. Chandna & Co.
Chartered Accountants
E-27,
South Extension Part II
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Ph No. : 26252762, 26250339
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INDEPENDENT AUDITORS' REPORT

To:

The Members of Power Finance Corporation Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Power Finance Corporation Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
(b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
(c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of Matter

Without qualifying our opinion, attention is drawn to the note no. 13.2 of Note Part-C of other notes to accounts, regarding application of Prudential Norms stipulated by Reserve Bank of India in respect of Restructuring / Reschedulement / Renegotiation (R/R/R) for the financial year 2013-14 for reasons indicated therein.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by section 227(3) of the Act, we report that:

a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books ;
c. the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account ;
d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
e. on the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For N. K. Bhargava & Co.
Chartered Accountants
Firm's Regn. No. : 000429N

N. K. Bhargava
Partner
Membership No.: 080624

For K. B. Chandna & Co.
Chartered Accountants
Firm's Regn. No. : 000862N

V.K. Gureja
Partner
Membership No. : 016521

Place: Delhi
Date: 27.05.2014

Annexure to Independent Auditor's Report

(Referred to in Paragraph (1) under Report on Other Legal and Regulatory Requirements)

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of available information.

   (b) As explained to us, the management carries out the physical verification of fixed assets at the year end in a phased manner. In our opinion, the frequency of physical verification is reasonable having regard to the size of the Company and nature of its assets. As explained to us, no material discrepancies were noticed by the management on such physical verification.

   (c) The Company has not disposed off substantial part of fixed assets during the year and has not affected the going concern status of the Company.

2. The main object of the company is to provide finance to power projects and does not involve carrying purchase/sale of goods and any inventories; hence clause (ii) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company.

3. As explained to us, the Company has neither taken nor granted any loans, secured or unsecured to/from Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly clauses 4(iii) (a), (b), (c) and (d) of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company.

4. Having regard to the nature of Company's business and based on our scrutiny of Company's records and the information and explanations received by us, we report that Company's activities do not include purchase of inventory and sale of goods. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business with regards to purchase of fixed assets and services rendered by the company. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls with regard to purchase of fixed assets and services rendered by the company.

5. Based on the audit procedures applied by us and the information and explanations provided by the management, we are of the opinion that there was no transaction during the year that need to be entered in the register maintained under Section 301 of the Companies Act, 1956.

6. The Company has not accepted any deposits from the public.

7. In our opinion and according to the information and explanation given to us, the Company has an internal audit system commensurate with the size and nature of its business.

8. The Company is non-banking financial company, the provisions under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 pertaining to maintenance of cost records, does not apply.

9. In respect of statutory dues, on the basis of information and explanations given to us and on the basis of our examination of the records of the company, we report that:

   (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income tax, Wealth tax, Service Tax and other material statutory dues as applicable to it and there is no undisputed amounts payable in respect of aforesaid dues outstanding for a period of more than six months as on 31st March, 2014, as per the accounts of the company.

   (b) According to the records of the Company, there are no dues of Income tax / Wealth tax / Service tax, etc., which have not been deposited by the Company on account of any dispute, as per the accounts of the Company

10. The Company has no accumulated losses and has not incurred any cash loss during the financial year covered by our audit and in the immediately preceding financial year.

11. Based on our audit procedures and according to the information and explanations given to us, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.

12. The Company has not granted loans and advances against pledge of shares, debentures and other securities as primary security. However in certain cases the Company has obtained shares/ debenture/ other securities in the form of collateral securities duly pledged. The company has maintained adequate records/ has made arrangement with security trustee/ agent for maintenance of adequate record in respect of these collateral securities.

13. The Company is neither a chit fund nor a nidhi / mutual benefit fund / society. Hence, the requirements of clause 4(xiii) of the 'Order' do not apply to the Company.

14. In our opinion and according to the information given to us, the Company is not dealings or trading in shares, securities, debentures. Further, as per information and explanations provided we state that, all the Investments have been held by the Company in its own name.

15. The Company has given guarantees in connection with loans taken by others from banks or financial institutions. According to information & explanations given to us we are of

the opinion that, the terms and conditions of the guarantees given are not prima-facie prejudicial to the interest of the Company.

16. According to the information and explanations given to us, the term loans taken by the Company have been utilized for the purpose for which they were raised.

17. According to the information and explanations given to us and on overall examination of the balance sheet of the Company, we are of the opinion that no funds raised on short-term basis have been used for long-term investments by the Company.

18. According to the records of the Company and the information and explanations given to us, the Company has not made any preferential allotment of shares, to parties and Companies covered in the Register maintained under Section 301 of the Companies Act, 1956. Therefore the provisions of clause 4(xviii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

19. According to the information and explanations given to us, the company has created securities/charges in respect of secured bonds issued.

20. According to the information and explanations given to us, the company has disclosed the end use of the money raised in Public issue of Tax free Bonds and the same has been verified and found to be correct.

21. To the best of our knowledge and according to the information and explanation given to us no fraud on or by the Company has been noticed or reported during the course of our audit.

For N. K. Bhargava & Co. **Chartered Accountants** **Firm's Regn. No. : 000429N**	**For K.B. Chandna & Co.** **Chartered Accountants** **Firm's Regn. No. : 000862N**
N. K. Bhargava **Partner** **Membership No.: 080624**	**V. K. Gureja** **Partner** **Membership No. : 016521**

Place: Delhi
Date: 27.05.2014

POWER FINANCE CORPORATION LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2014

(₹ in crore)

Description				Note Part A	As at 31.03.2014		As at 31.03.2013	
A	**EQUITY AND LIABILITIES**							
	(1)	**Shareholders' Funds**						
		(i)	Share Capital	1	1,320.04		1,320.02	
		(ii)	Reserves & Surplus	2	26,054.57	27,374.61	22,256.13	23,576.15
	(2)	**Non-Current Liabilities**						
		(i)	Long Term Borrowing	3				
			Secured		22,776.66		6,636.67	
			Un-secured		119,714.91	142,491.57	114,514.19	121,150.86
		(ii)	Deferred Tax Liabilities (Net) (Refer Note No. 14 of Part-C - Other Notes on Accounts)			274.22		219.79
		(iii)	Other Long Term Liabilities	4		347.62		539.80
		(iv)	Long Term Provisions	5		473.04		162.33
	(3)	**Current Liabilities**						
		(i)	Current Maturity of Long term Borrowing (Unsecured)	3	15,409.00		9,612.08	
		(ii)	Short -Term Borrowing	3				
			Secured		0.00		860.55	
			Un-secured		1,314.49		7,849.42	
		(iii)	Other Current Liabilities	4	6,261.75		5,063.82	
		(iv)	Short Term Provisions	5	217.80	23,203.04	193.99	23,579.86
			Total			**194,164.10**		**169,228.79**
B	**ASSETS**							
	(1)	**Non-Current Assets**						
		(i)	Fixed Assets	6				
			Tangible Assets		102.31		101.39	
			Less: Accumulated Depreciation		34.13	68.18	30.83	70.56
			Intangible Assets		7.78		7.87	
			Less: Accumulated Amortization		5.33	2.45	4.09	3.78
		(ii)	Non-Current Investments	7				
			Trade		12.00		12.00	
			Others		336.34	348.34	145.66	157.66
		(iii)	Long Term Loans	8				
			Secured		133,815.75		107,157.80	
			Un-Secured		34,976.36	168,792.11	35,366.37	142,524.17
		(iv)	Other Non-Current Assets	9		209.68		376.07
	(2)	**Current Assets**						
		(i)	Current Investments	10	3.83		3.83	
		(ii)	Cash and Bank Balances	11	60.14		4,753.81	
		(iii)	Current Maturity of Long Term Loans	8				
			Secured		15,114.00		12,318.01	
			Un-Secured		2,928.95		3,137.84	
		(iv)	Short Term Loans	8				
			Secured		912.98		1,000.00	
			Un-Secured		1,483.20		1,416.11	
		(v)	Other Current Assets	9	4,240.24	24,743.34	3,466.95	26,096.55
			Total			**194,164.10**		**169,228.79**
			SIGNIFICANT ACCOUNTING POLICIES	Part B				
			OTHER NOTES ON ACCOUNTS	Part C				

Notes from part A to part C form integral part of Accounts.

For and on behalf of the Board of Directors

(MANOHAR BALWANI)	**R.NAGARAJAN**	**M.K. GOEL**
Company Secretary	**Director (Finance)**	**Director (Commercial) and Chairman & Managing Director**
	DIN - 00701892	**DIN - 00239813**

Signed in terms of our report of even date

	For N.K.Bhargava & Co.	**For K.B.Chandna & Co.**
	Chartered Accountants	**Chartered Accountants**
	Firm Regn. No. 000429N	**Firm Regn. No. 000862N**
	(N.K.BHARGAVA)	**(V.K.GUREJA)**
Place : New Delhi	**PARTNER**	**PARTNER**
Date : 27.05.2014	**Membership No - 080624**	**Membership No - 016521**

POWER FINANCE CORPORATION LIMITED

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2014

(₹ in crore)

	Description	Note Part A	Year ended 31.03.2014		Year ended 31.03.2013	
I.	**Revenue from Operations**					
	Interest	12	20,978.71		16,922.91	
	Other Operating Income	12	543.71	21,522.42	343.23	17,266.14
II.	**Other Income**					
	Other Income	13		15.04		6.41
III	**Total Revenue (I + II)**			**21,537.46**		**17,272.55**
IV.	**EXPENSES**					
	Interest, Finance and Other Charges	14		13,199.59		10,991.08
	Bond Issue Expenses	15		79.09		97.33
	Employee Benefit Expenses	16		79.56		80.94
	Provision for contingencies			469.89		80.85
	Provision for decline in value of investments			(0.15)		(0.003)
	Depreciation and Amortization expenses	6		4.93		5.70
	CSR and Sustainable Development Expenses			63.23		16.30
	Other Expenses	17		83.30		42.12
	Prior Period Items (Net)	18		(0.29)		(8.81)
	Total Expenses			**13,979.15**		**11,305.51**
V.	**Profit before exceptional and extraordinary items and tax (III-IV)**			**7,558.31**		**5,967.04**
VI.	Exceptional Items			0.00		0.00
VII.	**Profit before extraordinary items and tax (V-VI)**			**7,558.31**		**5,967.04**
VIII.	Extraordinary Items			0.00		0.00
IX.	**Profit Before Tax (VII-VIII)**			**7,558.31**		**5,967.04**
X.	**Tax Expenses**					
	(1) Current Tax					
	for current year		2,075.81		1,543.57	
	for earlier years		10.32	2,086.13	(128.49)	1,415.08
	(2) Deferred Tax liability(+) / Asset(-)			54.43		132.36
XI.	**Profit (Loss) for the year from continuing operations (IX-X)**			**5,417.75**		**4,419.60**
XII.	**Earnings per equity share of ₹ 10/- each (Refer Note No. 15 of Part-C - Other Notes on Accounts)**					
	(1) Basic (₹)			**41.04**		**33.48**
	(2) Diluted (₹)			**41.04**		**33.48**
	SIGNIFICANT ACCOUNTING POLICIES	**Part B**				
	OTHER NOTES ON ACCOUNTS	**Part C**				
	Notes from part A to part C form integral part of Accounts.					

For and on behalf of the Board of Directors

(MANOHAR BALWANI)	**R.NAGARAJAN**	**M.K. GOEL**
Company Secretary	**Director (Finance)**	**Director (Commercial) and Chairman & Managing Director**
	DIN - 00701892	**DIN - 00239813**

Signed in terms of our report of even date

	For N.K.Bhargava & Co.	**For K.B.Chandna & Co.**
	Chartered Accountants	**Chartered Accountants**
	Firm Regn. No. 000429N	**Firm Regn. No. 000862N**
	(N.K.BHARGAVA)	**(V.K.GUREJA)**
Place : New Delhi	**PARTNER**	**PARTNER**
Date : 27.05.2014	**Membership No - 080624**	**Membership No - 016521**

POWER FINANCE CORPORATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2014

(₹ in crore)

	PARTICULARS		Year ended 31.03.2014		Year ended 31.03.2013
I.	**Cash Flow from Operating Activities :-**				
	Net Profit before Tax and Extraordinary items	**7,558.31**		**5,967.04**	
	ADD: Adjustments for				
	Loss on Sale of Assets (net)	0.08		0.03	
	Depreciation / Amortization	4.93		5.70	
	Amortization of Zero Coupon Bonds & Commercial Papers	102.74		135.98	
	Foreign Exchange Translation Loss	414.06		163.76	
	Diminution in value of investments	(0.15)		0.00	
	Provision for Contingencies	469.89		80.85	
	Dividend / Interest on investment	(2.14)		(8.29)	
	Provision for CSR Expenditure & Sustainable Expenditure	63.23		16.30	
	Provision for interest under IT Act	5.22		4.07	
	Provision for Retirement Benefits / Other Welfare Expenses / Wage revision	9.73		11.63	
	Operating profit before working Capital Changes:	**8,625.90**		**6,377.07**	
	Increase / Decrease :				
	Loans Assets (Net)	(28,935.10)		(30,256.10)	
	Other Current Assets	(661.80)		(1,138.20)	
	Foreign Currency Monetary Item Translation Difference A/c	(231.24)		37.44	
	Liabilities and provisions	989.44		1,438.89	
	Cash flow before extraordinary items	**(20,212.80)**		**(23,540.90)**	
	Extraordinary items	0.00		0.00	
	Cash Inflow / Outflow from operations before Tax	**(20,212.80)**		**(23,540.90)**	
	Income Tax paid	(2,015.57)		(1,554.02)	
	Income Tax Refund	57.96		5.56	
	Net Cash flow from Operating Activities		**(22,170.41)**		**(25,089.36)**
II.	**Cash Flow From Investing Activities :**				
	Sale / adjustment of Fixed Assets	0.17		0.05	
	Purchase of Fixed Assets	(1.47)		(4.13)	
	Increase / decrease in Capital Works in Progress	0.00		0.45	
	Investments in Subsidiaries	(190.11)		(105.05)	
	Dividend / Interest and profit on sale of investment	2.14		8.29	
	Other Investments	(0.42)		7.22	
	Net Cash Used in Investing Activities		**(189.69)**		**(93.17)**
III.	**Cash Flow From Financing Activities :**				
	Issue of Equity Shares	0.44		1.60	
	Issue of Bonds (including premium)	28,575.45		31,142.02	
	Redemption of Bonds	(7,431.91)		(9,753.90)	
	Raising of Long Term Loans	14,464.00		1,700.00	
	Repayment of Long Term Loans	(8,999.00)		(1,239.50)	
	Foreign Currency Loans (Net)	67.27		2,653.46	
	Commercial paper (Net)	(3,650.00)		5,000.00	
	Loan Against Fixed Deposits / Working Capital Demand Loan / OD / CC / Line of Credit (Net)	(3,819.77)		(251.43)	
	Interest Subsidy Fund	(21.91)		(230.43)	
	Unclaimed Bonds (Net)	(0.17)		(0.56)	
	Payment of Final Dividend (including Corporate Dividend Tax) of Previous year	(154.43)		(153.41)	
	Payment of Interim Dividend (including Corporate Dividend Tax) of Current year	(1,359.05)		(920.49)	
	Net Cash in-flow from Financing Activities		**17,670.92**		**27,947.36**
	Net Increase / Decrease in Cash & Cash Equivalents		**(4,689.18)**		**2,764.83**
	Add : Cash & Cash Equivalents at beginning of the financial year		4,747.82		1,982.99
	Cash & Cash Equivalents at the end of the year		**58.64**		**4,747.82**
	Details of Cash & Cash Equivalents at the end of the year:				
	Cheques in hand, Imprest with Postal authority & Balances with Banks		58.64		168.24
	Fixed Deposits with Scheduled Banks		0.00		4,579.58
			58.64		**4,747.82**

For and on behalf of the Board of Directors

(MANOHAR BALWANI)	**R.NAGARAJAN**	**M.K. GOEL**
Company Secretary	**Director (Finance)**	**Director (Commercial) and Chairman & Managing Director**
	DIN - 00701892	**DIN - 00239813**

Signed in terms of our report of even date

	For N.K.Bhargava & Co.	**For K.B.Chandna & Co.**
	Chartered Accountants	**Chartered Accountants**
	Firm Regn. No - 000429N	**Firm Regn. No.: 000862N**
	(N.K.BHARGAVA)	**(V.K.GUREJA)**
Place : New Delhi	**PARTNER**	**PARTNER**
Date : 27.05.2014	**Membership No - 080624**	**Membership No - 016521**

NOTE - Part A - 1
SHARE CAPITAL

(₹ in crore)

	Description	As at 31.03.2014	As at 31.03.2013
A	**Authorized :**		
	200,00,00,000 Equity shares of ₹ 10/- each (Previous year 200,00,00,000 equity shares of ₹ 10/- each)	2,000.00	2,000.00
	Total	**2,000.00**	**2,000.00**
B	**Issued, subscribed and paid up :**		
	132,00,15,011 Equity shares of ₹ 10/- each fully paid-up (Previous year 131,99,31,705 equity shares of ₹ 10/- each fully paid up)	1,320.02	1,319.93
	Add: 25,693 Equity shares of ₹ 10/- each fully paid-up (previous year 83,306 equity shares of ₹ 10/- each fully paid-up)	0.02	0.09
	Total	**1,320.04**	**1,320.02**

Notes:-

1. Information on Shares in the company held by each shareholder holding more than 5 percent of paid -up equity share capital :

Name of Holders		31.03.2014	31.03.2013
President of India	% of Share Holding	72.80 *	73.72
	No. of Shares Held	960,955,589	973,061,665
	Amount (₹ in crore)	960.96	973.06
Life Insurance Corporation of India	% of Share Holding	7.80	5.77
	No. of Shares Held	102,899,599	76,164,471
	Amount (₹ in crore)	102.90	76.16

2. Under the Company stock option plan titled as PFC - ESOP 2010, the Remuneration Committee in their meeting held on 23rd December, 2011 had given its approval for FY 2009-10 for grant of 88,040 options, effective from 29th July 2011 and in their meeting held on 30th April 2012 had given its approval for FY 2010-11 for the grant of 92,964 options effective from 30th April 2012 to regular employees of the Company through PFC Employees Welfare Trust, at a price of ₹ 176.05/- per option for FY 2009-10 and ₹ 160.75/- per option for FY 2010-11 , exclusive of the face value of ₹ 10/- per share, convertible into equivalent number of equity shares of ₹ 10/- each on payment of ₹ 10 per share.

For FY 2009-10, out of 88,040 options, 87,888 options has been granted, 83,306 equity shares have been allotted during the previous financial year and 4,255 equity shares during the current year upon exercising the stock option under the scheme. For FY 2010-11, out of 92,964 options granted, 69,954 options have been settled in cash and 1,572 options have been cancelled during the previous financial year and allotted 21,438 equity shares during the current year upon exercising the stock option under the scheme.

* Refer Note No. 19.2 of Part-C - Other Notes on Accounts

NOTE - Part A - 2
RESERVES & SURPLUS

(₹ in crore)

	Description	As at 31.03.2014		As at 31.03.2013	
(A)	**Securities Premium Reserve**				
	Opening balance	4,094.50		4,092.67	
	Add : Addition during the year *	1.87		1.51	
	Less: Issue Expenses (FPO)	0.00	4,096.37	(0.32)	4,094.50
(B)	**Debenture Redemption Reserve**				
	Opening balance	274.85		55.79	
	Add : Transfer from Profit and Loss Appropriation (Refer Note No. 4 of Part-C - Other Notes on Accounts)	271.23	546.08	219.06	274.85
(C)	**Others**				
(i)	**Reserve for Bad & doubtful debts u/s 36(1)(viia)(c) of Income-Tax Act,1961**				
	Opening balance	1,409.01		1,158.61	
	Add : Transfer from Profit and Loss Appropriation	321.43	1,730.44	250.40	1,409.01
(ii)	**Special Reserve created u/s 36(1)(viii) of Income Tax Act, 1961 upto Financial Year 1996-97**		599.85		599.85
(iii)	**Special Reserve created and maintained u/s 36(1)(viii) of Income Tax Act, 1961 from Financial Year 1997-98**				
	Opening balance	7,139.87		5,982.06	
	Add : Transfer from Profit and Loss Appropriation	1,464.74		1,155.90	
	Add: Transfer from General Reserve	0.00		1.91	
	Add : Transfer from Surplus **	37.65		0.00	
	Less: Transfer to General Reserve	(17.80)	8,624.46	0.00	7,139.87
(iv)	**CSR and SD Reserve**				
	Opening balance	18.85		0.00	
	Less: Transfer to Surplus (Refer Note No. 21.2 of Part-C - Other Notes on Accounts)	(18.85)	0.00	18.85	18.85
(v)	**General Reserve**				
	Opening balance	3,034.49		2,594.40	
	Add : Transfer from Profit and Loss Appropriation	542.00		442.00	
	Add: Transferred from Special Reserve	17.80		0.00	
	Less: Transferred to Special Reserve	0.00	3,594.29	1.91	3,034.49
(vi)	Foreign Currency Monetary Item Translation Difference A/c (Refer Note No. 11 of Part-C - Other Notes on Accounts)				
	Opening balance	(477.97)		(515.41)	
	Add : Net addition during the year	(231.24)	(709.21)	37.44	(477.97)
(D)	**Surplus**				
	Opening balance	6,162.68		4,904.21	
	Add : Transfers from CSR and SD Reserve	18.85		0.00	
	Less : Transfers to Special Reserve under Income Tax Act, 1961 **	(37.65)		0.00	
	Add : Surplus retained from the Profit and Loss Appropriation for the year	1,428.41	7,572.29	1,258.47	6,162.68
			26,054.57		**22,256.13**

Description	As at 31.03.2014		As at 31.03.2013	
Profit after tax for the year		**5,417.75**		**4,419.60**
Less : CSR and SD Reserves				
Transfer to CSR and SD Reserve (relating to earlier years)	0.00		16.39	
Transfer from CSR and SD Reserve (relating to earlier years)	0.00		(9.30)	
Transfer to CSR and SD Reserve (relating to current year)	0.00	**0.00**	11.76	**18.85**
Less : Transfer to Reserves				
Transfer towards Reserve for Bad & Doubtful Debts u/s 36(1)(viia)(c) of Income Tax Act, 1961	321.43		250.40	
Transfer to Special Reserve created and maintained u/s 36(1)(viii) of Income Tax Act, 1961	1,464.74		1,155.90	
Debenture Redemption Reserve	271.23		219.06	
General Reserve	542.00	**2,599.40**	442.00	**2,067.36**
Less : Dividend & Corporate Dividend Tax				
Interim Dividend	1,161.64		792.01	
Proposed Final Dividend	26.40		132.00	
Corporate Dividend Tax on Interim Dividend	197.41		128.48	
Proposed Corporate Dividend Tax	4.49	**1,389.94**	22.43	**1,074.92**
Total		**1,428.41**		**1,258.47**

* Addition on account of issue of tax free bond series 107A and 107B at a premium of 0.03% and 0.14% respectively, total amounting to ₹ 1.45 crore and issue of 25,693 equity shares at premium amounting to₹ 0.42 crore.

** Transferred to match the deduction claimed as per the Income tax return for the Assessment Year 2013-14

NOTE - Part A - 3
BORROWINGS

(₹ in crore)

Description	As at 31.03.2014			As at 31.03.2013		
	Current	Non-Current	Total	Current	Non-Current	Total
A. Long Term Borrowings						
I. Secured						
Bonds						
Infrastructure Bonds (Refer note no. from 1 to 12)	0.00	361.55	361.55	0.00	361.55	361.55
Tax Free Bonds (Refer note no. from 13 to 38)	0.00	11,275.11	11,275.11	0.00	6,275.12	6,275.12
Other Bonds (Refer Note No. 39 to 45)	0.00	11,140.00	11,140.00	0.00	0.00	0.00
Sub Total (I)	**0.00**	**22,776.66**	**22,776.66**	**0.00**	**6,636.67**	**6,636.67**
II. Un-secured						
a) Bonds						
Other Bonds / Debentures (Refer Note No. 46 and 47)	10,399.90	89,528.17	99,928.07	3,262.90	95,434.62	98,697.52
Subordinated Bonds (Refer Note No. 48)	0.00	3,800.00	3,800.00	0.00	0.00	0.00
Foreign Currency Notes (Refer Note No. 50)	0.00	1,088.82	1,088.82	0.00	986.40	986.40
	10,399.90	**94,416.99**	**104,816.89**	**3,262.90**	**96,421.02**	**99,683.92**
b) Foreign Currency Loans						
Foreign Currency Loans from Foreign banks / Financial Institutions (Guaranteed by the Govt. of India) (Refer Note No. 51)	24.57	265.36	289.93	19.98	251.49	271.47
Syndicated Foreign Currency Loans from banks / Financial Institutions (Refer Note No. 52)	3,674.53	3,872.56	7,547.09	0.00	6,946.68	6,946.68
Foreign Currency Loans (FCNR(B) from banks)	0.00	0.00	0.00	219.20	0.00	219.20
	3,699.10	**4,137.92**	**7,837.02**	**239.18**	**7,198.17**	**7,437.35**
c) Rupee Term Loans						
Rupee Term Loans (From Banks) (Refer Note No. 53)	810.00	21,160.00	21,970.00	3,980.00	10,895.00	14,875.00
Rupee Term Loans (From Financial Institutions) (Refer Note No. 54)	500.00	0.00	500.00	2,130.00	0.00	2,130.00
	1,310.00	**21,160.00**	**22,470.00**	**6,110.00**	**10,895.00**	**17,005.00**
Sub Total (II)	**15,409.00**	**119,714.91**	**135,123.91**	**9,612.08**	**114,514.19**	**124,126.27**
B. Short Term Borrowings						
Rupee Term Loans						
I. Secured						
Loan against FD	0.00	0.00	0.00	860.55	0.00	860.55
Sub Total (I)	**0.00**	**0.00**	**0.00**	**860.55**	**0.00**	**860.55**
II. Un-secured						
Commercial Paper (Refer Note No. 55)	1,314.49	0.00	1,314.49	4,890.20	0.00	4,890.20
Working Capital Demand Loan / OD / CC / Line of Credit	0.00	0.00	0.00	2,959.22	0.00	2,959.22
Sub Total (II)	**1,314.49**	**0.00**	**1,314.49**	**7,849.42**	**0.00**	**7,849.42**
Total (A) + (B)	**16,723.49**	**142,491.57**	**159,215.06**	**18,322.05**	**121,150.86**	**139,472.91**

Notes:-

The details of Infrastructure Bonds outstanding as at 31.03.2014 are as follows:

	Bond Series	Date of allotment	Rate of Interest p.a.	Amount (₹ in crore)	Date of Redemption	Redemption details	Nature of Security
1	Infrastructure Bonds (2011-12) Series-III	21.11.2011	8.75%	3.23	22-Nov-18	On exercise of put option by the bondholders, redeemable at par, on a date, falling seven years and one day from the date of allotment; otherwise , redeemable at par on a date falling fifteen years from the date of allotment.	Secured by first pari-passu charge on total receivables of the Company (excluding those receivables on which specific charge already created) along with first pari-passu charge on immovable property situated at Guindy,Chennai.
2	Infrastructure Bonds (2011-12) Series - IV	21.11.2011	8.75%	8.83	22-Nov-18	On exercise of put option by the bondholders, redeemable at par with cumulative interest compounded annually, on a date, falling seven years and one day from the date of allotment; otherwise , redeemable at par with cumulative interest compounded annually, on a date falling fifteen years from the date of allotment.	
3	Infrastructure Bonds (2010-11) Series-3	31.03.2011	8.50%	6.13	1-Apr-18	On exercise of put option by the bondholders, redeemable at par, on a date, falling seven years and one day from the date of allotment; otherwise , redeemable at par on a date falling fifteen years from the date of allotment.	Secured by charge on specific book debt of ₹ 3,971.21 crore as on 31.03.2014 of the Company along with first charge on immovable property situated at Jangpura, New Delhi.
4	Infrastructure Bonds (2010-11) Series-4	31.03.2011	8.50%	22.75	1-Apr-18	On exercise of put option by the bondholders, redeemable at par with cumulative interest compounded annually, on a date, falling seven years and one day from the date of allotment; otherwise , redeemable at par with cumulative interest compounded annually, on a date falling fifteen years from the date of allotment.	
5	Infrastructure Bonds 86 C Series	30.03.2012	8.72%	0.95	31-Mar-18	On exercise of put option by the bondholders, redeemable at par, on a date, falling six years and one day from the date of allotment; otherwise , redeemable at par on a date falling fifteen years from the date of allotment.	Secured by first pari-passu charge of present and future receivables (excluding those receivables which are specifically charged for infra bond issue during the FY 2010-11) along with first pari passu charge on immovable property situated at Guindy, Chennai.
6	Infrastructure Bonds 86 D Series	30.03.2012	8.72%	2.75	31-Mar-18	On exercise of put option by the bondholders, redeemable at par with cumulative interest compounded annually, on a date, falling six years and one day from the date of allotment; otherwise , redeemable at par with cumulative interest compounded annually, on a date falling fifteen years from the date of allotment.	
7	Infrastructure Bonds 86 A Series	30.03.2012	8.43%	9.04	31-Mar-17	On exercise of put option by the bondholders, redeemable at par, on a date, falling five years and one day from the date of allotment; otherwise , redeemable at par on a date falling ten years from the date of allotment.	Secured by first pari-passu charge of present and future receivables (excluding those receivables which are specifically charged for infra bond issue during the FY 2010-11) along with first pari passu charge on immovable property situated at Guindy, Chennai.
8	Infrastructure Bonds 86 B Series	30.03.2012	8.43%	17.81	31-Mar-17	On exercise of put option by the bondholders, redeemable at par with cumulative interest compounded annually, on a date, falling five years and one day from the date of allotment; otherwise , redeemable at par with cumulative interest compounded annually, on a date falling ten years from the date of allotment.	

9	Infrastructure Bonds (2011-12) Series-I	21.11.2011	8.50%	32.43	22-Nov-16	On exercise of put option by the bondholders, redeemable at par, on a date, falling five years and one day from the date of allotment; otherwise , redeemable at par on a date falling ten years from the date of allotment.	Secured by first pari-passu charge on total receivables of the Company (excluding those receivables on which specific charge already created) along with first pari-passu charge on immovable property situated at Guindy,Chennai.
10	Infrastructure Bonds (2011-12) Series-II	21.11.2011	8.50%	51.15	22-Nov-16	On exercise of put option by the bondholders, redeemable at par with cumulative interest compounded annually, on a date, falling five years and one day from the date of allotment; otherwise , redeemable at par with cumulative interest compounded annually, on a date falling ten years from the date of allotment.	
11	Infrastructure Bonds (2010-11) Series-1	31.03.2011	8.30%	66.80	1-Apr-16	On exercise of put option by the bondholders, redeemable at par, on a date, falling five years and one day from the date of allotment; otherwise , redeemable at par on a date falling ten years from the date of allotment.	Secured by charge on specific book debt of ₹ 3,971.21 crore as on 31.03.2014 of the Company along with first charge on immovable property situated at Jangpura, New Delhi.
12	Infrastructure Bonds (2010-11) Series-2	31.03.2011	8.30%	139.68	1-Apr-16	On exercise of put option by the bondholders, redeemable at par with cumulative interest compounded annually, on a date, falling five years and one day from the date of allotment; otherwise , redeemable at par with cumulative interest compounded annually, on a date falling ten years from the date of allotment.	
		Total		**361.55**			

The details of Tax Free Bonds outstanding as at 31.03.2014 are as follows:

	Bond Series	Date of allotment	Rate of Interest p.a.	Amount (₹ in crore)	Date of Redemption	Nature of Security
13	Tax Free Bonds (2013-14) - Series 3A	16-11-2013	8.67%	1,067.38	16-Nov-33	Total book debts of the Company (excluding the book debts on which specific charge has already been created), limited to the extent of payment / repayment of the bonds including interest, additional interest, cost and expenses and all other monies what so ever payable / repayable by the Company to the Bondholders and / or others under / pursuant to the transaction documents.
14	Tax Free Bonds (2013-14) - Series 3B	16-11-2013	8.92%	861.96	16-Nov-33	
15	Tax Free Bonds (2013-14) - Series 2A	16-11-2013	8.54%	932.70	16-Nov-28	Total book debts of the Company (excluding the book debts on which specific charge has already been created), limited to the extent of payment / repayment of the bonds including interest, additional interest, cost and expenses and all other monies what so ever payable / repayable by the Company to the Bondholders and / or others under / pursuant to the transaction documents.
16	Tax Free Bonds (2013-14) - Series 2B	16-11-2013	8.79%	353.32	16-Nov-28	
17	Tax Free Bonds Series 107 B	30-08-2013	8.46%	1,011.10	30-Aug-28	First pari passu charge on total receivables of the Company, excluding the Receivables on which specific charge has already been created by the Company, limited to the extent of payment/repayment of the Bonds including interest, additional interest, cost and expenses and all other monies whatsoever payable / repayable by the Company to the Bondholders and/or others under / pursuant to the Transaction Documents.
18	Tax Free Bonds (2012-13) tranche - II - Series II	28-03-2013	7.04%	3.32	28-Mar-28	Secured by first pari-passu charge on total receivables of the Company (excluding those receivables on which specific charge already created)
19	Tax Free Bonds (2012-13) tranche - II - Series II	28-03-2013	7.54%	65.88	28-Mar-28	
20	Tax Free Bonds (2012-13) tranche - I - Series II	04-01-2013	7.36%	136.84	4-Jan-28	Secured by first pari-passu charge on total receivables of the Company (excluding those receivables on which specific charge already created) along with first pari- passu charge on immovable property situated at Guindy,Chennai.
21	Tax Free Bonds (2012-13) tranche - I - Series II	04-01-2013	7.86%	220.16	4-Jan-28	
22	Tax Free Bonds Series 95 B	29-11-2012	7.38%	100.00	29-Nov-27	First pari passu charge on the Immovable Property situated at Chennai. All present and future receivables / loan assets of the Company, together with the underlying security, excluding the receivables on which specific charge has already been created by the Company.
23	Tax Free Bonds Series 94 B	22-11-2012	7.38%	25.00	22-Nov-27	
24	Tax Free Bonds(2011-12) tranche -I - Series II	01.02.2012	8.30%	1,280.58	1-Feb-27	Secured by first pari-passu charge on total receivables of the Company (excluding those receivables on which specific charge already created) along with first pari- passu charge on immovable property situated at Guindy,Chennai.
25	Tax Free Bonds Series 80 B	25.11.2011	8.16%	209.34	25-Nov-26	Secured by first pari-passu charge of present and future receivables (excluding those receivables which are specifically charged for infra bond issue during the FY 2010-11) along with first pari passu charge on immovable property situated at Guindy, Chennai.
26	Tax Free Bonds Series 79 B	15.10.2011	7.75%	217.99	15-Oct-26	
27	Tax Free Bonds (2013-14) - Series 1A	16-11-2013	8.18%	325.07	16-Nov-23	Total book debts of the Company (excluding the book debts on which specific charge has already been created), limited to the extent of payment / repayment of the bonds including interest, additional interest, cost and expenses and all other monies what so ever payable / repayable by the Company to the Bondholders and / or others under / pursuant to the transaction documents.
28	Tax Free Bonds (2013-14) - Series 1B	16-11-2013	8.43%	335.47	16-Nov-23	
29	Tax Free Bonds Series 107 A	30-08-2013	8.01%	113.00	30-Aug-23	First pari passu charge on Total receivables of the Company, excluding the Receivables on which specific charge has already been created by the Company, limited to the extent of payment/repayment of the Bonds including interest, additional interest, cost and expenses and all other monies whatsoever payable / repayable by the Company to the Bondholders and / or others under / pursuant to the Transaction Documents.

30	Tax Free Bonds (2012-13) tranche - II - Series I	28-03-2013	6.88%	47.64	28-Mar-23	Secured by first pari-passu charge on total receivables of the Company (excluding those receivables on which specific charge already created)
31	Tax Free Bonds (2012-13) tranche - II - Series I	28-03-2013	7.38%	48.52	28-Mar-23	
32	Tax Free Bonds (2012-13) tranche - I - Series I	04-01-2013	7.19%	176.99	4-Jan-23	Secured by first pari-passu charge on total receivables of the Company (excluding those receivables on which specific charge already created) along with first pari- passu charge on immovable property situated at Guindy,Chennai.
33	Tax Free Bonds (2012-13) tranche - I - Series I	04-01-2013	7.69%	165.76	4-Jan-23	
34	Tax Free Bonds Series 95 A	29-11-2012	7.22%	30.00	29-Nov-22	First pari passu charge on the Immovable Property situated at Chennai. All present and future receivables/ loan assets of the Company, together with the underlying security, excluding the receivables on which specific charge has already been created by the Company.
35	Tax Free Bonds Series 94 A	22-11-2012	7.21%	255.00	22-Nov-22	
36	Tax Free Bonds(2011-12) tranche -I - Series I	01.02.2012	8.20%	2,752.55	1-Feb-22	Secured by first pari-passu charge on total receivables of the Company (excluding those receivables on which specific charge already created) along with first pari- passu charge on immovable property situated at Guindy,Chennai.
37	Tax Free Bonds Series 80 A	25.11.2011	8.09%	334.31	25-Nov-21	Secured by first pari-passu charge of present and future receivables (excluding those receivables which are specifically charged for infra bond issue during the FY 2010-11) along with first pari passu charge on immovable property situated at Guindy, Chennai.
38	Tax Free Bonds Series 79 A	15.10.2011	7.51%	205.23	15-Oct-21	
		Total		**11,275.11**		
The details of Taxable Bonds (Secured) outstanding as at 31.03.2014 are as follows:						
	Bond Series	**Date of allotment**	**Rate of Interest p.a.**	**Amount (₹ in crore)**	**Date of Redemption**	**Nature of Security**
39	Taxable Bonds Series 112 C	31.01.2014	9.70%	270.00	31-Jan-21	First pari passu charge on total receivables of the Company, excluding the Receivables on which specific charge has already been created by the Company, limited to the extent of payment / repayment of the Bonds including interest, additional interest, cost and expenses and all other monies whatsoever payable/repayable by the Company to the Bondholders and / or others under/pursuant to the Transaction Documents.
40	Taxable Bonds Series 112 B	31.01.2014	9.70%	270.00	31-Jan-20	
41	Taxable Bonds Series 113	03.03.2014	9.69%	2,240.00	3-Mar-19	First pari passu charge on total receivables of the Company, excluding the Receivables on which specific charge has already been created by the Company, limited to the extent of payment / repayment of the Bonds including interest, additional interest, cost and expenses and all other monies whatsoever payable / repayable by the Company to the Bondholders and / or others under/pursuant to the Transaction Documents.
42	Taxable Bonds Series 112 A	31.01.2014	9.70%	270.00	31-Jan-19	First pari passu charge on total receivables of the Company, excluding the Receivables on which specific charge has already been created by the Company, limited to the extent of payment/repayment of the Bonds including interest, additional interest, cost and expenses and all other monies whatsoever payable / repayable by the Company to the Bondholders and/or others under/pursuant to the Transaction Documents.
43	Taxable Bonds Series 109	07.10.2013	9.81%	4,500.00	7-Oct-18	First pari passu charge on total receivables of the Company, excluding the Receivables on which specific charge has already been created by the Company, limited to the extent of payment/repayment of the Bonds including interest, additional interest, cost and expenses and all other monies whatsoever payable / repayable by the Company to the Bondholders and / or others under/pursuant to the Transaction Documents.

44	Taxable Bonds Series 108	27.09.2013	9.80%	1,600.00	27-Sep-16	First pari passu charge on total receivables of the Company, excluding the Receivables on which specific charge has already been created by the Company, limited to the extent of payment/repayment of the Bonds including interest, additional interest, cost and expenses and all other monies whatsoever payable / repayable by the Company to the Bondholders and / or others under / pursuant to the Transaction Documents.
45	Taxable Bonds Series 110	05.12.2013	9.58%	1,990.00	5-Dec-15	First pari passu charge on total receivables of the Company, excluding the Receivables on which specific charge has already been created by the Company, limited to the extent of payment / repayment of the Bonds including interest, additional interest, cost and expenses and all other monies whatsoever payable / repayable by the Company to the Bondholders and / or others under/pursuant to the Transaction Documents.
		Total		**11,140.00**		

46 Zero Coupon unsecured Taxable Bonds 2022-XIX Series of ₹ 379.67 crore (previous year ₹ 351.22 crore) are redeemable at face value of ₹ 750.00 crore on 30.12.2022 [net of Unamortized Interest of ₹ 370.33 crore (previous year ₹ 398.78 crore)].

47 The details of Unsecured Taxable (Non cumulative) Bonds are as follows :

	Bond Series	Coupon Rate	Date of Redemption	Amount (₹ in crore)
1	71 - C Series	9.05%	15-Dec-30	192.70
2	66 - C Series	8.85%	15-Jun-30	633.00
3	103 Series	8.94%	25-Mar-28	2,807.00
4	102 - A (III) Series	8.90%	18-Mar-28	403.00
5	101 - B Series	9.00%	11-Mar-28	1,370.00
6	77- B Series	9.45%	1-Sep-26	2,568.00
7	76 - B Series	9.46%	1-Aug-26	1,105.00
8	71 - B Series	9.05%	15-Dec-25	192.70
9	66 - B Series	8.75%	15-Jun-25	832.00
10	66 - B Series	8.75%	15-Jun-25	700.00
11	65 - Series	8.70%	14-May-25	1,087.50
12	65 - Series	8.70%	14-May-25	250.00
13	64 - Series	8.95%	30-Mar-25	492.00
14	63 - Series	8.90%	15-Mar-25	184.00
15	62 - B Series	8.80%	15-Jan-25	1,172.60
16	61 - Series	8.50%	15-Dec-24	351.00
17	57 - B Series	8.60%	7-Aug-24	866.50
18	85 - D Series	9.26%	15-Apr-23	736.00
19	102 - A(II) Series	8.90%	18-Mar-23	403.00
20	102 - B Series	8.87%	18-Mar-23	70.00
21	100 - B Series	8.84%	4-Mar-23	1,310.00
22	92 - C Series	9.29%	21-Aug-22	640.00
23	91- B Series	9.39%	29-Jun-22	2,695.20
24	88- C Series	9.48%	15-Apr-22	184.70
25	78- B Series	9.44%	23-Sep-21	1,180.00
26	76- A Series	9.36%	1-Aug-21	2,589.40
27	75- C Series	9.61%	29-Jun-21	2,084.70
28	74 Series	9.70%	9-Jun-21	1,693.20
29	XXVIII Series	8.85%	31-May-21	600.00
30	73 Series	9.18%	15-Apr-21	1,000.00
31	72 - B Series	8.99%	15-Jan-21	1,219.00
32	71 - A Series	9.05%	15-Dec-20	192.70
33	70 Series	8.78%	15-Nov-20	1,549.00
34	68 - B Series	8.70%	15-Jul-20	1,424.00
35	66 - A Series	8.65%	15-Jun-20	500.00
36	65 - Series	8.70%	14-May-20	162.50
37	65 - Series	8.70%	14-May-20	1,175.00
38	85 - C Series	9.30%	15-Apr-20	79.50
39	64 - Series	8.95%	30-Mar-20	492.00
40	87 - D Series	9.42%	20-Mar-20	650.80
41	63 - Series	8.90%	15-Mar-20	184.00
42	100 - A Series	8.86%	4-Mar-20	54.30
43	99 - B Series	8.82%	20-Feb-20	733.00
44	62 - A Series	8.70%	15-Jan-20	845.40
45	61 - Series	8.50%	15-Dec-19	351.00
46	60 - B Series	1 year INCMTBMK + 179 bps	20-Nov-19	925.00
47	59 - B Series	8.80%	15-Oct-19	1,216.60
48	57 - B Series	8.60%	7-Aug-19	866.50
49	90 - B Series	9.41%	1-Jun-19	391.00
50	98 (III) Series	8.72%	8-Feb-19	324.00
51	82- C Series	9.70%	15-Dec-18	2,060.00
52	52 - C Series	11.25%	28-Nov-18	1,950.60
53	51 - C Series	11.00%	15-Sep-18	3,024.40
54	XLIX - B Series	10.85%	11-Aug-18	428.60
55	XLVIII - C Series	10.55%	15-Jul-18	259.70
56	XLVII - C Series	9.68%	9-Jun-18	780.70
57	104 - B Series	8.30%	15-May-18	351.00
58	102 - A(I) Series	8.90%	18-Mar-18	403.00

59	101 - A Series	8.95%	11-Mar-18	3,201.00
60	99 - A Series	8.77%	20-Feb-18	2.00
61	98 (II) Series	8.72%	8-Feb-18	324.00
62	72 - A Series	8.97%	15-Jan-18	144.00
63	97 Series	8.75%	15-Jan-18	1,000.00
64	XL - C Series	9.28%	28-Dec-17	650.00
65	XVIII Series	7.87%	13-Nov-17	25.00
66	93 - B Series	8.91%	15-Oct-17	950.00
67	XVII Series	8.21%	3-Oct-17	25.00
68	92 - A Series	9.01%	21-Aug-17	50.00
69	92 - B Series	9.27%	21-Aug-17	1,930.00
70	91 - A Series	9.40%	29-Jun-17	107.50
71	90 - A Series	9.61%	1-Jun-17	552.90
72	XIII Series	9.60%	24-May-17	65.00
73	XXXV Series	9.96%	18-May-17	530.00
74	XIII Series	9.60%	16-May-17	125.00
75	89 - A Series	9.52%	2-May-17	2,595.00
76	88- B Series	9.66%	15-Apr-17	100.20
77	XXXIV Series	9.90%	30-Mar-17	500.50
78	XXXIII - B Series	9.90%	22-Mar-17	561.50
79	87 - C Series	9.59%	20-Mar-17	217.50
80	87 - B Series	9.72%	20-Mar-17	23.00
81	84 Series	9.33%	17-Feb-17	1,521.20
82	98 (I) Series	8.72%	8-Feb-17	324.00
83	82 - B Series	9.64%	15-Dec-16	825.00
84	XXXI - A Series	8.78%	11-Dec-16	1,451.20
85	XVIII Series	7.87%	13-Nov-16	25.00
86	XVII Series	8.21%	3-Oct-16	25.00
87	XXIX - A Series	8.80%	7-Sep-16	250.00
88	77- A Series	9.41%	1-Sep-16	1,083.60
89	75 - B Series	9.62%	29-Jun-16	360.00
90	106 - B Series	8.27%	25-Jun-16	3,033.00
91	104 - A Series	8.35%	15-May-16	4,000.00
92	XXVII - A Series	8.20%	17-Mar-16	1,000.00
93	XXVI Series	7.95%	24-Feb-16	1,261.80
94	XXV Series	7.60%	30-Dec-15	1,734.70
95	52 - B Series	11.30%	28-Nov-15	5.80
96	XVIII Series	7.87%	13-Nov-15	25.00
97	XVII Series	8.21%	3-Oct-15	25.00
98	50 - C Series	10.70%	25-Aug-15	80.80
99	68 - A Series	8.25%	15-Jul-15	147.00
100	106 - A Series	8.29%	25-Jun-15	1,250.00
101	65 - Series	8.70%	14-May-15	1,337.50
102	89 - B Series	9.46%	2-May-15	2,056.00
103	85 - A Series	9.51%	15-Apr-15	661.30
104	64 - Series	8.95%	30-Mar-15	492.00
105	63 - Series	8.90%	15-Mar-15	184.00
106	83 Series	9.55%	13-Jan-15	1,292.30
107	61 - Series	8.50%	15-Dec-14	351.00
108	82 - A Series	9.63%	15-Dec-14	2,100.00
109	96 Series	8.90%	14-Dec-14	1,903.00
110	XVIII Series	7.87%	13-Nov-14	25.00
111	XXI B Series	7.00%	2-Nov-14	51.90
112	59 - A Series	8.45%	15-Oct-14	288.20
113	93 - A Series	8.85%	15-Oct-14	1,788.00
114	XVII Series	8.21%	3-Oct-14	25.00
115	58 - B Series	8.45%	17-Sep-14	331.10
116	57 - B Series	8.60%	7-Aug-14	866.50
117	75 - A Series	9.64%	29-Jun-14	555.00
118	55 - B Series	7.50%	11-May-14	146.90
			Total	**99,548.40**

48 The details of Unsecured Subordinate Bonds are as follows :

	Bond Series	Coupon Rate	Date of Redemption	Amount (₹ in crore)
1	Subordinated Tier II Debt Bond	9.70%	21-Feb-24	2,000.00
2	Subordinated Tier II Debt Bond	9.65%	13-Jan-24	1,000.00
3	Subordinated Tier II Debt Bond	8.19%	14-Jun-23	800.00
			Total	**3,800.00**

49 As at 31.03.2014, Bonds of ₹ 6.90 crore (previous year ₹ 7.40 crore) are held by PFC Ltd. Employees Provident Fund Trust and Bonds of ₹ 0.50 crore (previous year ₹ 0.50 crore) are held by PFC Ltd. Gratuity Trust.

50 Foreign currency 6.61 % Senior Notes (USPP - I) of USD 180 million amounting to ₹ 1,088.82 crore (previous year ₹ 986.40 crore) are redeemable at par on 05.09.2017.

	Notes:-				
51	The details of Foreign Currency Loans from Foreign banks / Financial Institutions (Guaranteed by the Govt. of India) outstanding as at 31.03.2014 are as follows:				
	S.No	**Loan**	**Rate of Interest p.a. as on 31.03.2014**	**Amount (₹ in crore)**	**Date of Repayment**
	1	KfW I	0.7500%	1.37	30-Jun-2035
	2	KfW I	0.7500%	1.57	30-Dec-2034
	3	KfW I	0.7500%	1.57	30-Jun-2034
	4	KfW I	0.7500%	1.57	30-Dec-2033
	5	KfW I	0.7500%	1.57	30-Jun-2033
	6	KfW I	0.7500%	1.57	30-Dec-2032
	7	KfW I	0.7500%	1.57	30-Jun-2032
	8	KfW I	0.7500%	1.57	30-Dec-2031
	9	KfW I	0.7500%	1.57	30-Jun-2031
	10	KfW I	0.7500%	1.57	30-Dec-2030
	11	KfW I	0.7500%	1.57	30-Jun-2030
	12	KfW I	0.7500%	1.57	30-Dec-2029
	13	KfW I	0.7500%	1.57	30-Jun-2029
	14	KfW I	0.7500%	1.57	30-Dec-2028
	15	Asian Development Bank	0.5934%	0.25	15-Oct-2028
	16	Credit National France	2.0000%	0.03	30-Jun-2028
	17	KfW I	0.7500%	1.57	30-Jun-2028
	18	Asian Development Bank	0.5934%	1.75	15-Apr-2028
	19	Credit National France	2.0000%	0.03	31-Dec-2027
	20	KfW I	0.7500%	1.57	30-Dec-2027
	21	Asian Development Bank	0.5934%	2.08	15-Oct-2027
	22	Credit National France	2.0000%	0.06	30-Jun-2027
	23	KfW I	0.7500%	1.57	30-Jun-2027
	24	Asian Development Bank	0.5934%	2.20	15-Apr-2027
	25	Credit National France	2.0000%	0.43	31-Dec-2026
	26	KfW I	0.7500%	1.57	30-Dec-2026
	27	Asian Development Bank	0.5934%	2.41	15-Oct-2026
	28	Credit National France	2.0000%	0.43	30-Jun-2026
	29	KfW I	0.7500%	1.57	30-Jun-2026
	30	Asian Development Bank	0.5934%	4.03	15-Apr-2026
	31	Credit National France	2.0000%	0.51	31-Dec-2025
	32	KfW I	0.7500%	1.57	30-Dec-2025
	33	Asian Development Bank	0.5934%	4.03	15-Oct-2025
	34	Credit National France	2.0000%	1.11	30-Jun-2025
	35	KfW I	0.7500%	1.57	30-Jun-2025
	36	Asian Development Bank	0.5934%	4.03	15-Apr-2025
	37	Credit National France	2.0000%	3.04	31-Dec-2024
	38	KfW I	0.7500%	1.57	30-Dec-2024
	39	Asian Development Bank	0.5934%	4.03	15-Oct-2024
	40	Credit National France	2.0000%	3.67	30-Jun-2024
	41	KfW I	0.7500%	1.57	30-Jun-2024
	42	Asian Development Bank	0.5934%	4.33	15-Apr-2024
	43	Credit National France	2.0000%	3.71	31-Dec-2023
	44	KfW I	0.7500%	1.57	30-Dec-2023
	45	Asian Development Bank	0.5934%	4.33	15-Oct-2023
	46	Credit National France	2.0000%	4.55	30-Jun-2023
	47	KfW I	0.7500%	1.57	30-Jun-2023
	48	Asian Development Bank	0.5934%	4.33	15-Apr-2023
	49	Credit National France	2.0000%	4.55	31-Dec-2022
	50	KfW I	0.7500%	1.57	30-Dec-2022
	51	Asian Development Bank	0.5934%	4.33	15-Oct-2022
	52	Credit National France	2.0000%	4.55	30-Jun-2022
	53	KfW I	0.7500%	1.57	30-Jun-2022
	54	Asian Development Bank	0.5934%	4.33	15-Apr-2022
	55	Credit National France	2.0000%	4.55	31-Dec-2021
	56	KfW I	0.7500%	1.57	30-Dec-2021
	57	Asian Development Bank	0.5934%	4.33	15-Oct-2021
	58	Credit National France	2.0000%	4.55	30-Jun-2021
	59	KfW I	0.7500%	1.57	30-Jun-2021
	60	Asian Development Bank	0.5934%	4.33	15-Apr-2021
	61	Credit National France	2.0000%	4.55	31-Dec-2020
	62	KfW I	0.7500%	1.57	30-Dec-2020
	63	Asian Development Bank	0.5934%	4.33	15-Oct-2020
	64	Credit National France	2.0000%	4.55	30-Jun-2020

	65	KfW I	0.7500%	1.57	30-Jun-2020
	66	Asian Development Bank	0.5934%	4.33	15-Apr-2020
	67	Credit National France	2.0000%	4.55	31-Dec-2019
	68	KfW I	0.7500%	1.57	30-Dec-2019
	69	Asian Development Bank	0.5934%	4.33	15-Oct-2019
	70	Credit National France	2.0000%	4.55	30-Jun-2019
	71	KfW I	0.7500%	1.57	30-Jun-2019
	72	Asian Development Bank	0.5934%	4.33	15-Apr-2019
	73	Credit National France	2.0000%	4.55	31-Dec-2018
	74	KfW I	0.7500%	1.57	30-Dec-2018
	75	Asian Development Bank	0.5934%	4.33	15-Oct-2018
	76	Credit National France	2.0000%	4.55	30-Jun-2018
	77	KfW I	0.7500%	1.57	30-Jun-2018
	78	Asian Development Bank	0.5934%	4.33	15-Apr-2018
	79	Credit National France	2.0000%	4.55	31-Dec-2017
	80	KfW I	0.7500%	1.57	30-Dec-2017
	81	Asian Development Bank	0.5934%	4.33	15-Oct-2017
	82	Credit National France	2.0000%	4.55	30-Jun-2017
	83	KfW I	0.7500%	1.57	30-Jun-2017
	84	Asian Development Bank	0.5934%	4.33	15-Apr-2017
	85	Credit National France	2.0000%	4.55	31-Dec-2016
	86	KfW I	0.7500%	1.57	30-Dec-2016
	87	Asian Development Bank	0.5934%	4.33	15-Oct-2016
	88	Credit National France	2.0000%	4.55	30-Jun-2016
	89	KfW I	0.7500%	1.57	30-Jun-2016
	90	Asian Development Bank	0.5934%	4.33	15-Apr-2016
	91	Credit National France	2.0000%	4.55	31-Dec-2015
	92	KfW I	0.7500%	1.57	30-Dec-2015
	93	KfW II	5.1499%	1.83	30-Dec-2015
	94	Asian Development Bank	0.5934%	4.33	15-Oct-2015
	95	Credit National France	2.0000%	4.55	30-Jun-2015
	96	KfW I	0.7500%	1.57	30-Jun-2015
	97	KfW II	5.1499%	1.83	30-Jun-2015
	98	Asian Development Bank	0.5934%	4.33	15-Apr-2015
	99	Credit National France	2.0000%	4.55	31-Dec-2014
	100	KfW I	0.7500%	1.57	30-Dec-2014
	101	KfW II	5.1499%	1.83	30-Dec-2014
	102	Asian Development Bank	0.5934%	4.33	15-Oct-2014
	103	Credit National France	2.0000%	4.55	30-Jun-2014
	104	KfW I	0.7500%	1.57	30-Jun-2014
	105	KfW II	5.1499%	1.83	30-Jun-2014
	106	Asian Development Bank	0.5934%	4.33	15-Apr-2014
			Total	**289.93**	

52 The details of Syndicated Foreign Currency Loans from banks / Financial Institutions outstanding as at 31.03.2014 are as follows:

	S.No	Loan	Rate of Interest p.a. as on 31.03.2014	Amount (₹ in crore)	Date of Repayment
	1	SLN XIII	1.7815%	756.13	6-Mar-2017
	2	SLN-IX	1.8379%	744.14	24-Feb-2017
	3	SLN-VIII	1.6857%	408.71	23-Sep-2016
	4	SLN-VIII	1.6857%	451.34	25-Sep-2015
	5	SLN XII	2.0797%	1,512.25	31-Aug-2015
	6	SLN VII	1.8690%	1,814.70	29-Mar-2015
	7	SLN XIII	1.7815%	756.13	6-Mar-2015
	8	SLN-IX	1.8379%	703.81	25-Feb-2015
	9	SLN-VIII	1.6857%	399.89	24-Sep-2014
			Total	**7,547.09**	

	Notes:-				
53	The details of Rupee Term Loans (From Banks) outstanding as at 31.03.2014 are as follows:				

S.No	Loan	Rate of Interest p.a. as on 31.03.2014	Amount (₹ in crore)	Date of Repayment
1	INDIAN BANK	10.20%	100.00	18-Mar-2022
2	CANARA BANK	10.24%	500.00	29-Mar-2021
3	ORIENTAL BANK OF COMMERCE	10.25%	75.00	29-Mar-2021
4	BANK OF INDIA	10.20%	200.00	28-Mar-2021
5	SYNDICATE BANK	10.25%	140.00	28-Mar-2021
6	BANK OF INDIA	10.20%	300.00	27-Mar-2021
7	ORIENTAL BANK OF COMMERCE	10.25%	91.00	21-Mar-2021
8	SYNDICATE BANK	10.25%	150.00	20-Mar-2021
9	SYNDICATE BANK	10.25%	175.00	19-Mar-2021
10	INDIAN BANK	10.20%	100.00	18-Mar-2021
11	CANARA BANK	10.20%	105.00	30-Mar-2020
12	SYNDICATE BANK	10.25%	35.00	30-Mar-2020
13	ORIENTAL BANK OF COMMERCE	10.25%	75.00	29-Mar-2020
14	SYNDICATE BANK	10.25%	140.00	28-Mar-2020
15	ORIENTAL BANK OF COMMERCE	10.25%	92.00	21-Mar-2020
16	SYNDICATE BANK	10.25%	150.00	20-Mar-2020
17	SYNDICATE BANK	10.25%	175.00	19-Mar-2020
18	INDIAN BANK	10.20%	100.00	18-Mar-2020
19	SYNDICATE BANK	10.25%	35.00	30-Mar-2019
20	ORIENTAL BANK OF COMMERCE	10.25%	75.00	29-Mar-2019
21	CANARA BANK	10.20%	453.38	28-Mar-2019
22	CANARA BANK	10.20%	546.62	28-Mar-2019
23	HDFC BANK	10.23%	200.00	28-Mar-2019
24	ORIENTAL BANK OF COMMERCE	10.25%	92.00	21-Mar-2019
25	UCO BANK	10.20%	500.00	18-Mar-2019
26	UCO BANK	10.20%	500.00	14-Mar-2019
27	UNION BANK OF INDIA	10.25%	160.00	30-Sep-2018
28	BANK OF INDIA	10.20%	470.00	20-Sep-2018
29	BANK OF INDIA	10.20%	500.00	20-Sep-2018
30	BANK OF BARODA	10.25%	490.00	31-Mar-2018
31	ALLAHABAD BANK	10.25%	500.00	30-Mar-2018
32	BANK OF INDIA	10.20%	30.00	30-Mar-2018
33	UNION BANK OF INDIA	10.25%	15.00	30-Mar-2018
34	CANARA BANK	10.20%	220.00	29-Mar-2018
35	BANK OF BARODA	10.25%	250.00	29-Mar-2018
36	CANARA BANK	10.20%	280.00	28-Mar-2018
37	HDFC BANK	10.23%	150.00	28-Mar-2018
38	BANK OF BARODA	10.25%	285.00	28-Mar-2018
39	STATE BANK OF MYSORE	10.25%	150.00	28-Mar-2018
40	STATE BANK OF MYSORE	10.25%	250.00	21-Mar-2018
41	DENA BANK	10.25%	275.00	21-Mar-2018
42	DENA BANK	10.25%	225.00	21-Mar-2018
43	BANK OF BARODA	10.25%	300.00	20-Mar-2018
44	BANK OF BARODA	10.25%	350.00	19-Mar-2018
45	BANK OF INDIA	10.20%	1,000.00	14-Mar-2018
46	VIJAYA BANK	10.20%	250.00	15-Dec-2017
47	ANDHRA BANK	10.25%	30.00	15-Dec-2017
48	VIJAYA BANK	10.20%	700.00	31-Jul-2017
49	BANK OF BARODA	10.25%	65.00	30-Mar-2017
50	HDFC BANK	10.23%	150.00	28-Mar-2017
51	INDIAN BANK	10.20%	60.00	27-Mar-2017
52	STATE BANK OF INDIA	10.15%	142.00	25-Mar-2017
53	STATE BANK OF INDIA	10.15%	143.00	25-Dec-2016
54	STATE BANK OF INDIA	10.15%	143.00	25-Sep-2016
55	STATE BANK OF INDIA	10.15%	143.00	25-Jun-2016
56	UNION BANK OF INDIA	10.25%	60.00	28-Apr-2016
57	UNION BANK OF INDIA	10.25%	320.00	27-Apr-2016
58	UNION BANK OF INDIA	10.25%	110.00	24-Apr-2016
59	UNION BANK OF INDIA	10.25%	230.00	21-Apr-2016
60	UNION BANK OF INDIA	10.25%	180.00	20-Apr-2016
61	BANK OF BARODA	10.25%	230.00	30-Mar-2016
62	BANK OF BARODA	10.25%	770.00	29-Mar-2016
63	INDIAN BANK	10.20%	60.00	27-Mar-2016
64	STATE BANK OF INDIA	10.15%	143.00	25-Mar-2016
65	STATE BANK OF INDIA	10.15%	143.00	25-Dec-2015
66	CENTRAL BANK OF INDIA	10.25%	30.00	15-Oct-2015
67	JAMMU & KASHMIR BANK	10.25%	40.00	15-Oct-2015
68	JAMMU & KASHMIR BANK	10.25%	560.00	15-Oct-2015
69	VIJAYA BANK	10.20%	200.00	1-Oct-2015
70	STATE BANK OF INDIA	10.15%	143.00	25-Sep-2015
71	CANARA BANK	10.20%	425.00	1-Sep-2015
72	CANARA BANK	10.20%	75.00	31-Aug-2015
73	INDIAN BANK	10.20%	500.00	12-Jul-2015
74	FEDERAL BANK	10.55%	300.00	30-Jun-2015
75	STATE BANK OF BIKANER AND JAIPUR	10.25%	400.00	29-Jun-2015
76	CORPORATION BANK	10.25%	750.00	29-Jun-2015
77	CORPORATION BANK	10.25%	250.00	28-Jun-2015

	78	SUMITOMO MITSUI BANKING CORP	10.15%	100.00	28-May-2015
	79	ANDHRA BANK	10.25%	310.00	1-May-2015
	80	ANDHRA BANK	10.25%	500.00	28-Apr-2015
	81	CANARA BANK	10.20%	500.00	16-Apr-2015
	82	PUNJAB NATIONAL BANK	10.25%	500.00	15-Apr-2015
	83	BANK OF INDIA	10.20%	500.00	15-Apr-2015
	84	STATE BANK OF BIKANER AND JAIPUR	10.25%	350.00	30-Mar-2015
	85	INDIAN BANK	10.20%	60.00	27-Mar-2015
	86	HDFC BANK	10.50%	250.00	24-Sep-2014
	87	CREDIT SUISSE AG	10.45%	150.00	14-May-2014
			Total	**21,970.00**	

54 The details of Rupee Term Loans (From Financial Institutions) outstanding as at 31.03.2014 are as follows:

S.No	Loan	Rate of Interest p.a. as on 31.03.2014	Amount (₹ in crore)	Date of Repayment
1	SIDBI	9.75%	500.00	30-Apr-2014

55 The details of Commercial Paper outstanding as at 31.03.2014 are as follows:

S.No	Loan	Rate of Interest p.a. as on 31.03.2014	Amount (₹ in crore)	Date of Repayment
1	CP-56	10.63%	1,250.00	15-Jul-2014
2	CP-57	9.30%	100.00	15-Apr-2014
	Less - Unamortized financial charges *		(35.51)	
		Total	**1,314.49**	

* Unamortized financial charges on Commercial Paper as on 31.03.2014 amounts to ₹ 35.51 crore (Previous year ₹ 109.80 crore)

NOTE - Part A - 4						
OTHER LONG TERM & CURRENT LIABILITIES						
						(₹ in crore)
Description	**As at 31.03.2014**			**As at 31.03.2013**		
	Short Term	**Long Term**	**Total**	**Short Term**	**Long Term**	**Total**
Interest Subsidy Fund from GOI (Refer Note No. 10(ii) of Part-C - Other Notes on Accounts)	21.93	101.94	**123.87**	33.06	112.72	**145.78**
Interest Differential Fund - KFW (Refer Note No. 7 of Part-C - Other Notes on Accounts)	0.00	54.63	**54.63**	0.00	54.73	**54.73**
Advance received / amount payable to Subsidiaries (including interest payable thereon) (Refer Note No. 6.5 of Part-C - Other Notes on Accounts)	163.70	160.95	**324.65**	3.58	295.60	**299.18**
Amount payable to GoI under R-APDRP (Refer Note No. 12(i) of Part-C - Other Notes on Accounts)	0.00	0.00	**0.00**	0.25	0.00	**0.25**
Sub Total	**185.63**	**317.52**	**503.15**	**36.89**	**463.05**	**499.94**
Interest Accrued but not due :						
On Bonds	5,874.55	0.00	**5,874.55**	4,771.01	0.00	**4,771.01**
On Loans	92.11	0.00	**92.11**	119.15	0.00	**119.15**
Sub Total	**5,966.66**	**0.00**	**5,966.66**	**4,890.16**	**0.00**	**4,890.16**
Unpaid / Unclaimed						
Bonds	4.54	0.00	**4.54**	4.71	0.00	**4.71**
Interest on Bonds	1.96	0.00	**1.96**	3.21	0.00	**3.21**
Dividend	1.45	0.00	**1.45**	1.20	0.00	**1.20**
Sub Total	**7.95**	**0.00**	**7.95**	**9.12**	**0.00**	**9.12**
Others	101.51	30.10	**131.61**	127.65	76.75	**204.40**
Sub Total	**101.51**	**30.10**	**131.61**	**127.65**	**76.75**	**204.40**
Grand Total	**6,261.75**	**347.62**	**6,609.37**	**5,063.82**	**539.80**	**5,603.62**

NOTE - Part A - 5

PROVISIONS - LONG TERM AND SHORT TERM

(₹ in crore)

	Description	As at 31.03.2014			As at 31.03.2013		
		Short Term	Long Term	Total	Short Term	Long Term	Total
I.	**Employee Benefits ****						
	Economic Rehabilitation of Employees	0.12	1.12	**1.24**	0.12	1.19	**1.31**
	Leave Encashment	0.99	19.67	**20.66**	1.14	19.25	**20.39**
	Staff Welfare Expenses	0.92	14.96	**15.88**	1.15	12.14	**13.29**
	Gratuity / Superannuation Fund	0.93	0.00	**0.93**	1.63	0.00	**1.63**
	Sub Total	**2.96**	**35.75**	**38.71**	**4.04**	**32.58**	**36.62**
II.	**Others**						
	Income Tax (net)	96.44	23.05	**119.49**	20.86	11.62	**32.48**
	CSR & SD Expenses (Refer Note No. 21 of Part-C - Other Notes on Accounts)	32.33	0.00	**32.33**	0.00	0.00	**0.00**
	Contingent provision against Standard Assets (Refer Note No. 13.1 of Part-C - Other Notes on Accounts)	55.18	414.24	**469.42**	14.66	118.13	**132.79**
	Proposed Final Dividend**	26.40	0.00	**26.40**	132.00	0.00	**132.00**
	Proposed Corporate Dividend Tax **	4.49	0.00	**4.49**	22.43	0.00	**22.43**
	Sub Total	**214.84**	**437.29**	**652.13**	**189.95**	**129.75**	**319.70**
	Grand Total	**217.80**	**473.04**	**690.84**	**193.99**	**162.33**	**356.32**

** (Refer Note No. 20.2 of Part-C - Other Notes on Accounts)

NOTE - Part A - 6
FIXED ASSETS

(₹ in crore)

	Description	GROSS BLOCK				DEPRECIATION					NET BLOCK	
		Opening Balance as at 01.04.2013	Additions / Adjustments	Deductions / Adjustments	Closing Balance as at 31.03.2014	Opening Balance as at 01.04.2013	For the year 01.04.2013 to 31.03.2014	Prior period Adjustments	Withdrawn / Written back	Closing Balance as at 31.03.2014	As at 31.03.2014	As at 31.03.2013
I.	**Tangible Assets :**											
	Owned Assets											
	Land (Freehold)	3.38	0.00	0.00	3.38	0.00	0.00	0.00	0.00	0.00	3.38	3.38
	Land (Leasehold)	37.87	0.00	0.00	37.87	0.00	0.00	0.00	0.00	0.00	37.87	37.87
	Buildings	24.92	0.00	0.00	24.92	7.20	0.89	0.00	0.00	8.09	16.83	17.72
	EDP Equipments	13.81	0.71	0.24	14.28	10.59	1.42	0.00	0.18	11.83	2.45	3.22
	Office and other equipments	13.84	0.47	0.17	14.14	7.67	0.91	0.00	0.09	8.49	5.65	6.17
	Furniture & Fixtures	7.49	0.18	0.11	7.56	5.30	0.43	0.00	0.08	5.65	1.91	2.19
	Vehicles	0.08	0.10	0.02	0.16	0.07	0.02	0.00	0.02	0.07	0.09	0.01
	Total	**101.39**	**1.46**	**0.54**	**102.31**	**30.83**	**3.67**	**0.00**	**0.37**	**34.13**	**68.18**	**70.56**
	Previous year	**98.88**	**3.91**	**1.40**	**101.39**	**27.13**	**4.22**	**(0.01)**	**0.51**	**30.83**	**70.56**	**71.75**
II.	**Intangible Assets :**											
	Purchased Software (Useful Life - 5 years)	**7.87**	**0.01**	**0.10**	**7.78**	**4.09**	**1.26**	**(0.02)**	**0.00**	**5.33**	**2.45**	**3.78**
	Previous year	**6.86**	**1.01**	**0.00**	**7.87**	**2.60**	**1.48**	**0.01**	**0.00**	**4.09**	**3.78**	**4.26**
III.	**Capital Works in Progress - Intangible Assets ****	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
	Previous year	**0.45**	**0.00**	**0.45**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.45**

**** Software Applications**

NOTE - Part A - 7
NON- CURRENT INVESTMENTS

(₹ in crore)

	Description	As at 31.03.2014		As at 31.03.2013	
(A)	**Trade Investments (Quoted)**				
I.	**Equity Instruments**				
	- Valued at Cost				
	1,20,00,000 (Previous year 1,20,00,000) Equity Shares of ₹ 10/- each fully paid up of PTC Ltd.		12.00		12.00
	Sub Total		**12.00**		**12.00**
(B)	**Other Investments (Unquoted-Non Trade)**				
I.	**Equity Instruments**				
	21,87,015 (Previous year 21,87,015 Equity Shares of ₹ 10/- each fully paid up of National Power Exchange Ltd. **		2.19		2.19
	32,20,000 (Previous Year 28,00,000) Equity Shares of '. ₹ 10/- each fully paid up of Power Exchange India Ltd. (Refer Note No. 6.6(ii) Part C - Other Notes on Accounts)		3.22		2.80
	2,25,00,000 (Previous Year 2,25,00,000) Equity Shares of ₹ 10/- each fully paid up of Energy Efficiency Services Ltd **		22.50		22.50
	10,07,50,000 (Previous Year 2,66,40,000) Equity Shares of ₹ 10/- each fully paid up of Subsidiaries **		100.75		26.64
II.	**Preference Shares**				
	20,00,00,000 (Previous Year 8,40,00,000) 10% Cumulative Fully Convertible Preference shares of ₹10/- each fully paid up of Subsidiaries **		200.00		84.00
III.	**Others**				
- Valued at Cost (Less diminution, if any, other than temporary)					
	76,82,816 (Previous year 76,82,816) Units of " Small is Beautiful " Fund of KSK Investment Advisor Pvt. Ltd. (Face value per unit is ₹ 10)	7.68		7.68	
	Less : Provision for diminution	0.00	7.68	0.15	7.53
	Sub Total		**336.34**		**145.66**
	TOTAL		**348.34**		**157.66**

	Particulars		Book Adjusted Value		Market Value
	Aggregate of Quoted Investments		12.00		81.17
	(previous year)		(12.00)		(71.46)
	Aggregate of Un-Quoted (non trade) Investments		336.34		-
	(previous year)		(145.66)		-
		TOTAL	**348.34**		**81.17**
		(Previous year)	**(157.66)**		**(71.46)**
	** (Refer Note No. 6.2 of Part-C - Other Notes on Accounts)				

NOTE - Part A - 8
LOANS

(₹ in crore)

Description	As at 31.03.2014 Current maturities (Twelve Months)		Non-Current		Total		As at 31.03.2013 Current maturities (Twelve Months)		Non-Current		Total	
A. Long Term Loans												
I Secured Loans												
a) Considered Good												
Rupee Term Loans (RTLs) to State Electricity Boards, State Power Corporations, Central Public Sector Undertakings and State Governments	12,822.05		114,952.56		**127,774.61**		10,741.69		91,997.07		**102,738.76**	
RTLs to Independent Power Producers	1,047.01		16,706.58		**17,753.59**		989.56		13,269.75		**14,259.31**	
Foreign Currency Loans to Independent Power Producers	30.32		47.78		**78.10**		27.46		70.76		**98.22**	
Foreign Currency Loans to State Power Utilities	12.83		25.66		**38.49**		0.00		0.00		**0.00**	
Buyer's Line of Credit	67.94		492.07		**560.01**		10.20		122.36		**132.56**	
Lease Financing to Borrowers **	33.15		209.39		**242.54**		49.95		235.12		**285.07**	
RTLs to Equipment Manufacturers	247.69		810.65		**1,058.34**		224.83		688.79		**913.62**	
Incomes accrued & due on loans	438.65	14,699.64	0.00	133,244.69	**438.65**	**147,944.33**	35.23	12,078.92	0.00	106,383.85	**35.23**	**118,462.77**
b) Others												
RTL to Independent Power Producers - NPA	414.68		581.74		**996.42**		196.77		723.01		**919.78**	
Less: Provision for contingencies	88.62	326.06	107.42	474.32	**196.04**	**800.38**	27.70	169.07	72.30	650.71	**100.00**	**819.78**
FCL to Independent Power Producers - NPA	110.37		120.92		**231.29**		77.80		136.93		**214.73**	
Less: Provision for contingencies	22.07	88.30	24.18	96.74	**46.25**	**185.04**	7.78	70.02	13.69	123.24	**21.47**	**193.26**
Sub Total (I)		**15,114.00**		**133,815.75**		**148,929.75**		**12,318.01**		**107,157.80**		**119,475.81**

II. Un-Secured Loans												
a) Considered Good												
Rupee Term Loans (RTLs) to State Electricity Boards, State Power Corporations, Central Public Sector Undertakings and State Governments	2,683.35		25,746.29		**28,429.64**		3,005.33		32,068.20		**35,073.53**	
RTLs to Independent Power Producers	206.05		8,018.88		**8,224.93**		115.64		3,146.20		**3,261.84**	
Foreign Currency Loans to State Power Utilities	0.00		0.00		**0.00**		11.99		34.87		**46.86**	
Buyer's Line of Credit	0.00		11.17		**11.17**		4.87		87.57		**92.44**	
Incomes accrued & due on loans	39.55	2,928.95	0.00	33,776.34	**39.55**	**36,705.29**	0.01	3,137.84	0.00	35,336.84	**0.01**	**38,474.68**
Sub Total (II)		**2,928.95**		**33,776.34**		**36,705.29**		**3,137.84**		**35,336.84**		**38,474.68**
Total A (I + II)		**18,042.95**		**167,592.09**		**185,635.04**		**15,455.85**		**142,494.64**		**157,950.49**
B. Bonds												
I Un-secured Bonds / Debentures												
Bonds / Debentures from State Power Corporations		0.00		1,170.50		**1,170.50**		0.00		0.00		**0.00**
Bonds / Debentures from Independent Power Producers		0.00		29.52		**29.52**		0.00		29.53		**29.53**
Total B		**0.00**		**1,200.02**		**1,200.02**		**0.00**		**29.53**		**29.53**
C. Short Term Loans												
I Secured Loans - Considered Good												
Working Capital Loans to State Electricity Boards and State Power Corporations		812.98		0.00		**812.98**		1,000.00		0.00		**1,000.00**
Working Capital Loans to Independent Power		100.00		0.00		**100.00**		0.00		0.00		**0.00**
Sub Total (I)		**912.98**		**0.00**		**912.98**		**1,000.00**		**0.00**		**1,000.00**
II Un-Secured Loans - Considered Good												
Working Capital Loans to State Electricity Boards and State Power Corporations		1,483.08		0.00		**1,483.08**		1,416.11		0.00		**1,416.11**
Incomes accrued & due on loans		0.12		0.00		**0.12**		0.00		0.00		**0.00**
Sub Total (II)		**1,483.20**		**0.00**		**1,483.20**		**1,416.11**		**0.00**		**1,416.11**
Total C (I + II)		**2,396.18**		**0.00**		**2,396.18**		**2,416.11**		**0.00**		**2,416.11**
Grand Total (A+B+C)		**20,439.13**		**168,792.11**		**189,231.24**		**17,871.96**		**142,524.17**		**160,396.13**

** (Refer Note No. 9(a)(i) of Part-C - Other Notes on Accounts)

NOTE - Part A - 9
OTHER ASSETS

(₹ in crore)

Description	As at 31.03.2014						As at 31.03.2013					
	Current		Non-Current		Total		Current		Non-Current		Total	
A LOANS & ADVANCES												
I Loans (considered good)*												
a) to Employees (Secured)	2.51		15.55		**18.06**		2.34		15.23		**17.57**	
b) to Employees (Unsecured)	5.32	7.83	35.70	51.25	**41.02**	**59.08**	4.11	6.45	27.26	42.49	**31.37**	**48.94**
II Advances (Un-secured considered good)												
Advances recoverable in cash or in kind or for												
a) to Subsidiaries (including interest recoverable there on) (Refer Note No. 6.4 of Part-C - Other Notes on Accounts)	162.02		92.97		**254.99**		0.10		219.44		**219.54**	
b) to Employees	0.81		0.00		**0.81**		0.77		0.00		**0.77**	
c) Prepaid Expenses	2.11		0.00		**2.11**		2.02		0.00		**2.02**	
d) Others	99.72		0.33		**100.05**		79.64		0.30		**79.94**	
e) Advance Income Tax and Tax Deducted at Source (net)	0.00		53.37		**53.37**		0.00		105.05		**105.05**	
f) Security Deposits	3.55	268.21	0.02	146.69	**3.57**	**414.90**	3.25	85.78	0.27	325.06	**3.52**	**410.84**
B OTHER ASSETS												
I Accrued but not due :												
a) Interest on Loan Assets	3,865.26		0.00		**3,865.26**		3,257.45		0.00		**3,257.45**	
b) Other charges	15.63		0.00		**15.63**		16.11		0.00		**16.11**	
c) Interest on Loans to Employee	0.25		11.74		**11.99**		0.23		8.52		**8.75**	
d) Interest on Deposits and Investments	0.00	3,881.14	0.00	11.74	**0.00**	**3,892.88**	26.05	3,299.84	0.00	8.52	**26.05**	**3,308.36**
C Loans & Advances (Un-secured - Others)												
Non Performing Assets (NPAs)	104.77		0.00		**104.77**		84.14		0.00		**84.14**	
Less : Provision for contingencies	21.71	83.06	0.00	0.00	**21.71**	**83.06**	9.26	74.88	0.00	0.00	**9.26**	**74.88**
Total		**4,240.24**		**209.68**		**4,449.92**		**3,466.95**		**376.07**		**3,843.02**

* Note :-

Loans and Advances include :

Particulars	Balance as at 31.03.2014	Maximum during 2013-14	Balance as at 31.03.2013	Maximum during 2012-13
Loans given to Directors	**0.15**	**0.26**	**0.11**	**0.25**
Loans given to Executives	**46.95**	**52.41**	**37.85**	**43.23**
Loans given to other employees	**11.98**	**13.74**	**10.98**	**12.46**
Total	**59.08**	**66.41**	**48.94**	**55.94**

NOTE - Part A -10

CURRENT INVESTMENTS

(₹ in crore)

	Description	As at 31.03.2014		As at 31.03.2013	
A.	**Equity Instruments - Valued scrip wise at lower of cost or fair value (Trade and Quoted)**				
	5,39,349 Shares (Previous year - 5,39,349 Shares) (Face value of ₹ 10/- each fully paid up) of PGCIL purchased at a cost of ₹ 52	2.80		2.80	
	Less : Provision for diminution	0.00	2.80	0.00	2.80
	97,952 Shares (Previous year - 97,952 Shares) (Face value of ₹ 10/- each fully paid up) of REC Ltd. purchased at a cost of ₹ 105	1.03		1.03	
	Less : Provision for diminution	0.00	1.03	0.00	1.03
	Total		**3.83**		**3.83**

Particulars	Book Adjusted Value	Market Value
Aggregate of Quoted Investments	3.83	**7.91**
(previous year)	(3.83)	(7.75)
TOTAL	**3.83**	**7.91**
(Previous year)	**(3.83)**	**(7.75)**

NOTE - Part A -11
CASH AND BANK BALANCES

(₹ in crore)

		Description	As at 31.03.2014		As at 31.03.2013	
A	**Cash and Cash Equivalents**					
	i)	Balances in current accounts with:				
		Reserve Bank of India	0.05		0.05	
		Scheduled Banks	0.23	0.28	2.81	2.86
	ii)	Cheques in hand		58.36		0.01
	iii)	Public issue Account with Escrow Collection Banker		0.00		165.37
	iv)	Fixed Deposits with Scheduled Banks (original maturity up to three months)		0.00		4,579.58
		Sub Total (I)		**58.64**		**4,747.82**
B	**Other Balances**					
	i)	Balances in current accounts with scheduled banks for payment of interest on bonds, dividend, etc.		1.50		1.25
	ii)	Fixed Deposits with Scheduled Banks (original maturity more than three months but up to twelve months)	0.00		4.74	
	iii)	Fixed Deposits with Scheduled Banks (original maturity more than twelve months)	0.00	0.00	0.00	4.74
		Sub Total (II)		**1.50**		**5.99**
		Total		**60.14**		**4,753.81**

NOTE - Part A - 12
REVENUE FROM OPERATIONS

(₹ in crore)

	Description	Year ended 31.03.2014		Year ended 31.03.2013	
I.	**Interest**				
	Interest on Loans		20,953.45		16,893.51
	Lease income		25.26		29.40
	Sub Total (I)		**20,978.71**		**16,922.91**
II.	**Other Operating income**				
	Prepayment Premium on Loans		182.74		10.96
	Upfront fees on Loans		34.54		39.69
	Management, Agency & Guarantee Fees		142.64		115.56
	Commitment charges on Loans	4.15		4.34	
	Less : Commitment charges on Loans waived	(0.75)	3.40	0.00	4.34
	Income from surplus funds		161.89		156.16
	Nodal Agency Fees under R-APDRP (Refer Note No. 12 (ii) of Part-C - Other Notes on Accounts)		18.50		16.52
	Sub Total (II)		**543.71**		**343.23**
	Total		**21,522.42**		**17,266.14**

NOTE - Part A - 13
OTHER INCOME

(₹ in crore)

Description	Year ended 31.03.2014	Year ended 31.03.2013
Dividend / Interest Income on Non-Current Investments	1.92	2.12
Dividend Income on Current Investments	0.22	0.25
Profit on sale of Fixed Assets	0.01	0.01
Profit on sale of Non-Current Investments	0.00	0.05
Interest on Income Tax Refund	2.42	0.18
Miscellaneous Income	8.11	3.80
Excess Liabilities written back	2.36	0.00
Total	**15.04**	**6.41**

NOTE - Part A - 14
INTEREST, FINANCE AND OTHER CHARGES

(₹ in crore)

	Description	Year ended 31.03.2014		Year ended 31.03.2013	
I.	**Interest**				
	On Bonds	10,682.71		8,579.57	
	On Loans	1,644.01		1,772.32	
	GOI on Interest Subsidy Fund	10.70		19.00	
	Rebate for Timely Payment to Borrowers	205.90		167.46	
	Swap Premium (Net)	8.38	12,551.70	13.45	10,551.80
II.	**Other Charges**				
	Commitment & Agency Fees	0.41		1.13	
	Financial Charges on Commercial Paper	192.22		200.74	
	Guarantee, Listing & Trusteeship fees	2.11		1.99	
	Management Fees on Foreign Currency Loans	0.25		64.44	
	Bank / Other Charges	0.03	195.02	0.07	268.37
	Interest paid on advances received from subsidiaries	6.56		7.63	
	Less : Interest received on advances given to subsidiaries	(6.21)	0.35	(4.70)	2.93
III.	Net Translation / Transaction Exchange Loss (+) / gain (-)		452.52		167.98
	Total		**13,199.59**		**10,991.08**

NOTE - Part A - 15
BOND ISSUE EXPENSES

(₹ in crore)

Description	Year ended 31.03.2014	Year ended 31.03.2013
Interest on Application Money	39.28	61.27
Credit Rating Fees	3.50	2.84
Other Issue Expenses	32.24	24.97
Stamp Duty Fees	4.07	8.25
Total	**79.09**	**97.33**

NOTE - Part A - 16
EMPLOYEE BENEFIT EXPENSES

(₹ in crore)

Description	Year ended 31.03.2014	Year ended 31.03.2013
Salaries and Wages	59.83	63.54
Contribution to Provident and other funds	6.23	5.95
Staff Welfare	9.31	7.61
Rent for Residential accommodation of employees (Refer Note No. 9 (b) of Part-C - Other Notes on Accounts)	4.19	3.84
Total	**79.56**	**80.94**

NOTE - Part A - 17
OTHER EXPENSES

(₹ in crore)

Description	Year ended 31.03.2014	Year ended 31.03.2013
Administrative Expenses		
Office Rent	0.50	0.54
Electricity & Water charges	1.39	1.38
Insurance	0.04	0.04
Repairs & Maintenance	2.54	2.38
Stationery & Printing	1.68	0.92
Travelling & Conveyance	7.49	7.40
Postage, Telegraph & Telephone	1.73	1.47
Professional & Consultancy charges	0.65	0.82
Miscellaneous Expenses *	18.84	19.39
Loss on sale of Fixed Assets	0.09	0.04
Auditors' remuneration	0.59	0.48
Service Tax	3.99	5.93
Rates & Taxes	0.88	0.78
Contribution to PMC (MoP)	0.30	0.55
Sub - Total (I)	**40.71**	**42.12**
Others		
R-APDRP Expenses	42.59	0.00
Sub - Total (II)	**42.59**	**0.00**
Total (I + II)	**83.30**	**42.12**

*** Note :-**

1) Miscellaneous Expenses includes :

Books & Periodicals	0.05	0.04
Advertisement	4.65	5.25
Membership & Subscription	0.67	0.60
Entertainment	0.53	0.49
Conference & Meeting Expenses	0.97	1.15
Security Expenses	1.37	1.10
Training	0.73	0.65
EDP Expenses	1.74	2.04
Business Promotion / Related Expenses	0.31	0.17
Interest on income tax u/s 234 B/C	5.51	4.07

2) Auditors' Remuneration includes :

Audit fees	0.20	0.15
Tax Audit fees	0.05	0.04
Other certification services	0.34	0.29

Note - Part A -18
PRIOR PERIOD ITEMS (NET)

(₹ in crore)

Description	Year ended 31.03.2014		Year ended 31.03.2013	
Prior Period Expenses :				
Interest & other Charges	0.30		1.18	
Issue Expenses	0.19		0.00	
Personnel & Administration Expenses - CSR	0.00		(16.39)	
Personnel & Administration Expenses - Others	(0.76)		0.28	
Depreciation	(0.02)	(0.29)	0.00	(14.93)
Less: Prior Period Income :				
Interest Income	0.00		(3.47)	
Other Income	0.00	0.00	(2.65)	(6.12)
Total		(0.29)		(8.81)

Part – B

SIGNIFICANT ACCOUNTING POLICIES

1 BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

The Financial Statements have been prepared in accordance with historical cost convention on accrual basis in accordance with Generally Accepted Accounting Principles (GAAP) and Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006 and relevant provisions of the Companies Act, 1956.

The preparation of Financial Statements requires the Management to make estimates and assumptions considered in the reported amounts of assets, liabilities (including contingent liabilities), revenues and expenses of the reporting period. The difference between the actual results and the estimates are recognized in the period in which the results are known and / or materialized.

2 RECOGNITION OF INCOME / EXPENDITURE

2.1 Income and expenses (except as stated below) are accounted for on accrual basis.

2.1.1 Income on non-performing assets and assets stated in the proviso to paragraph 6.2, infra is recognized in the year of its receipt. However, any unrealized income recognized before the asset in question became non-performing asset or the income recognized in respect of assets as stated in the proviso to paragraph 6.2, infra which remained due but unpaid for a period more than six months is reversed.

2.1.2 Income under the head carbon credit is accounted for in the year in which it is received by the Company.

2.2 Rebate on account of timely payment by borrowers is accounted for, on receipt of entire amount due on time.

2.3 Discount / financial charges / interest on the commercial papers and zero coupon bonds (deep discount bonds) are amortized proportionately over the period of its tenure.

2.4 Expenditure on issue of shares is charged to the securities premium account.

2.5 Income from dividend is accounted for in the year of declaration of dividend.

2.6 Recoveries in borrower accounts are appropriated as per the loan agreements.

2.7 The Company raises demand for principal installments due, as per loan agreements. The repayment is adjusted against earliest disbursement, irrespective of the rate of interest being charged on various disbursements.

2.8 Prior period expenses / income and prepaid expenses upto ₹ 5,000/- are charged to natural heads of account.

3. FIXED ASSETS / DEPRECIATION

3.1 Fixed assets are shown at historical cost less accumulated depreciation, except for the assets retired from active use and held for disposal, which are stated at lower of the book value or net realizable value.

3.2 Additions to fixed assets are being capitalized on the basis of bills approved or estimated value of work done as per contracts in cases where final bills are yet to be received / approved.

3.3 Depreciation on assets is provided on written down value method, in accordance with the rates prescribed in Schedule XIV of the Companies Act, 1956.

3.4 Items of fixed assets acquired during the year costing up to ₹ 5,000/- are fully depreciated.

4 INTANGIBLE ASSETS / AMORTIZATION

4.1 Intangible assets such as software are shown at the cost of acquisition, and amortization is done under straight-line method over the life of the assets estimated by the Company.

5 INVESTMENTS

5.1 Quoted current investments are valued scrip wise at lower of cost or fair value.

5.2 Unquoted current investments are valued at lower of cost or fair value.

5.3 Long term investments are valued at cost. Provision is made for diminution, other than temporary in the value of such investments. However, diminution in value is reversed, when there is rise in the value or if the reason for the reduction no longer exists.

5.4 Investments in mutual funds / venture capital funds are valued at cost, less diminution, if any, other than temporary. However, diminution in value is reversed, when there is rise in the value or if the reason for the reduction no longer exists.

6 PROVISIONS / WRITE OFF AGAINST LOANS AND ADVANCES

Prudential Norms

6.1 PFC being a Government owned Non Banking Financial Company (NBFC) is exempt from the RBI directions relating to Prudential Norms. The Company, however, has formulated its own set of Prudential Norms with effect from 01.04.2003, which has been revised from time to time.

RBI has accorded the status of Infrastructure Finance company (IFC) to PFC, vide their letter dated 28.07.2010. Accordingly, PFC maintains CRAR as applicable to IFC.

6.2 As per prudential norms approved by the Board of Directors and the Ministry of Power, an asset including a lease asset, in respect of which, interest, principal installment and / or other charges remain due but unpaid for a period of six months or more, a term loan inclusive of unpaid interest and other dues if any , when the principal installment and / or interest remains unpaid for a period of six months or more, any amount which remains due but unpaid for a period of six months or more under bill discounting scheme and any amount due on account of sale of assets or services rendered or reimbursement of expenses incurred which remains unpaid for a period of six months or more are classified as Non-Performing Assets (NPA).

However, the following assets would not be classified as non-performing assets and the income on these loans is recognized on realisation basis.

i) Loans in respect of projects which are under implementation as per RBI Circular No. ref DBS.FID No. C-11/01.02.00/2001-02 dated February 1, 2002 read with D.O. letter DBS FID No 1285/01.02.00/2001-02 dated May 14, 2002 and RBI letter No.DBOD.BP.No.7675/21.04.048/2008-09 dated 11.11.2008.

ii) A facility which is backed by the Central / State Government guarantee or by the State Government undertaking for deduction from central plan allocation or a loan to State department , for a period not exceeding 12 months from the date from which Company's dues have not been paid by the borrower.

iii) A loan disbursed to an integrated power entity which is bifurcated on account of division of states, the Company shall follow the Government order issued for division of assets and liabilities, unless the same is stayed by any court and the case is pending in the court.

iv) Non servicing of part of dues due to dispute by the borrower for a period not exceeding 12 months from the date from which the company's dues have not been paid by the borrower. The disputed income shall be recognized only when it is actually realized. Any such disputed income already recognized in the books of accounts shall be reversed. Disputed dues means amount on account of financial charges like commitment charges, penal interest etc. and the disputed differential income on account of interest reset not serviced by the borrower due to certain issues remains unresolved. A dispute shall be acknowledged on case to case basis with the approval of the Board of Directors.

6.3 NPA classification and provisioning norms for loans, other credits, hire purchase and lease assets are given as under:

(i)	NPA for a period not exceeding 18 months	:	Sub-standard asset
(ii)	NPA for a period exceeding 18 months	:	Doubtful asset
(iii)	When an asset is identified as loss asset or assets remain doubtful asset for a period exceeding 36 months, which-ever is earlier	:	Loss asset

For the purpose of assets classification and provisioning:

a) Facilities granted to Government Sector & Private Sector Entities shall be classified borrower wise with the following exceptions :

i) Government sector loans, where cash flow from each project are separately identifiable and applied to the same project, PFC shall classify such loans on project wise basis.

b) The amount of security deposits kept by the borrower with the PFC in pursuance to the lease agreement together with the value of any other security available in pursuance to the lease agreement may be deducted against the provisions stipulated above.

c) NPA subjected to rescheduling and / or renegotiation and / or restructuring, whether in respect of installments of principal amount, or interest amount, by whatever modality, shall not be upgraded to the standard category until expiry of one year of satisfactory performance under the restructuring and / or rescheduling and / or renegotiation terms.

d) Interest restructuring which is normally done by PFC to help the borrowers to convert the past high cost debts into lower interest bearing debts will not be considered as re-schedulement / debt restructuring.

e) Facilities falling under paragraph 6.2 (i), supra, shall be classified in line with RBI guidelines for asset classification of infrastructure projects, as applicable to banks from time to time, but provisioning for such facilities shall be as per PFC Prudential Norms applicable from time to time.

6.4 Provision against NPAs (Assets other than Hire Purchase and Leased assets) is made at the rates indicated below: -

(i) Sub-standard assets : 10%

(ii) Doubtful assets:

(a) Secured portion / facility including that guaranteed by the State / Central Government or by the State Government undertaking for deduction from central plan allocation or loan to state department.

Upto 1 year	:	20%
1 – 3 years	:	30%
More than 3 years	:	100%

(b) Unsecured* : 100%

* A facility which is backed by Central / State Government Guarantee or by State Government undertaking for deduction from central plan allocation or a loan to state department would be treated as secured for the purpose of making provision.

(iii) Loss assets : 100%

The entire loss assets shall be written off. In case, a loss asset is permitted to remain in the books for any reason, 100% of outstanding shall be provided for.

6.5 The provisioning requirements in respect of hire purchase and leased assets shall be as per Para 9(2) of the Non–Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 issued vide circular dated 1st July, 2013 and subsequent amendments issued from time to time.

The para 9(2) as mentioned above is reproduced hereunder-

"Lease and hire purchase assets

(2) The provisioning requirements in respect of hire purchase and leased assets shall be as under:

Hire purchase assets

(i) In respect of hire purchase assets, the total dues (overdue and future installments taken together) as reduced by

(a) the finance charges not credited to the statement of profit and loss and carried forward as unmatured finance charges; and

(b) the depreciated value of the underlying asset, shall be provided for.

Explanation: For the purpose of this paragraph, the depreciated value of the asset shall be notionally computed as the original cost of the asset to be reduced by depreciation at the rate of twenty per cent per annum on a straight line method; and in the case of second hand asset, the original cost shall be the actual cost incurred for acquisition of such second hand asset.

Additional provision for hire purchase and leased assets

(ii) In respect of hire purchase and leased assets, additional provision shall be made as under:

(a) Where hire charges or lease rentals are overdue upto 12 months	Nil
(b) where hire charges or lease rentals are overdue for more than 12 months but upto 24 months	10 percent of the net book value
(c) where hire charges or lease rentals are overdue for more than 24 months but upto 36 months	40 percent of the net book value
(d) where hire charges or lease rentals are overdue for more than 36 months but upto 48 months	70 percent of the net book value
(e) where hire charges or lease rentals are overdue for more than 48 months	100 percent of the net book value

(iii) On expiry of a period of 12 months after the due date of the last installment of hire purchase/leased asset, the entire net book value shall be fully provided for.

6.6 Standard Assets (including for Hire Purchase & Leased assets)

[as per Para 9(A) of the Non –Banking Financial (Non- Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 and subsequent amendments issued from time to time.]

Provision for standard assets* at 0.25 percent of the outstanding shall be made, which shall not be reckoned for arriving at net NPAs. The provision towards standard assets need not be netted from gross advances but shall be shown separately as 'Contingent Provisions against Standard Assets' in the balance sheet.

*For the purpose of provisioning on Standard Assets, Standard Assets shall mean Loans and advances classified as Standard Assets.

6.7 Restructuring, Reschedulement or Renegotiation of term(s) of loan:

(i) PFC may, not more than once (in each of the following three stages), restructure or reschedule or renegotiate the terms of infrastructure loan agreement as per the policy framework laid down by the Board of Directors of the Company under the following stages:

a) Before commencement of commercial production
b) After commencement of commercial production but before the asset has been classified as sub-standard;
c) After the commencement of commercial production and the asset has been classified as sub-standard.

Provided that in each of the above three stages, the restructuring and / or rescheduling and / or renegotiation of principal and / or of interest may take place, with or without sacrifice, as part of the restructuring or rescheduling or renegotiating package evolved.

Provided further that in exceptional circumstance(s), for reasons to be recorded in writing, PFC may consider restructuring / reschedulement / renegotiation of terms of loan agreement second time before COD of the project with the approval of Board of Directors.

Provided further that extension of repayment schedule before COD* of the project in respect of Government Sector Entities, without any sacrifice** of either principal or interest, will not be considered as restructuring / rescheduling / renegotiation for the purpose of applicability of this section.

* Completion Date for projects where COD is not applicable.

** The term "sacrifice" shall mean waiver / reduction of principal and / or the interest dues and / or future applicable interest rate as a part of Restructuring / Reschedulement / Renegotiation package for the purpose of giving effect to the extant provision in respect of Government sector entities.

(ii) Provision for shortfall in security of Restructured / Rescheduled / Renegotiated Loans:

Where the asset is partly secured, a provision to the extent of shortfall in the security available, shall be made while restructuring and / or rescheduling and / or renegotiation of the loans, apart from the provision required on present value basis and as per prudential norms.

(iii) Treatment of Restructured / Rescheduled / Renegotiated Standard Loan:

The rescheduling or restructuring or renegotiation of the instalments of principal alone, at any of the aforesaid first two stages shall not cause a standard asset to be re-classified in the sub-standard category, if the project is re-examined and found to be viable by the Board of Directors of PFC or by a functionary at least one step senior to the functionary who sanctioned the initial loan for the project, within the policy framework laid down by the Board.

Provided that rescheduling or renegotiation or restructuring of interest element at any of the foregoing first two stages shall not cause a standard asset to be downgraded to sub-standard category subject to the condition that the amount of interest foregone, if any, on account of adjustment in the element of interest as specified later, is either written off or 100 per cent provision is made there against.

(iv) Treatment of Restructured / Rescheduled / Renegotiated sub-standard Asset:

A sub-standard asset shall continue to remain in the same category in case of restructuring or rescheduling or renegotiation of the instalments of principal until the expiry of one year and the amount of interest foregone, if any, on account of adjustment, including adjustment by way of write off of the past interest dues, in the element of interest as specified later, shall be written off or 100 per cent provision made there against.

(v) Adjustment of Interest:

Where rescheduling or renegotiation or restructuring involves a reduction in the rate of interest, the interest adjustment shall be computed by taking the difference between the rate of interest as currently applicable to the loan (as adjusted for the risk rating applicable to the borrower) and the reduced rate and aggregating the present value (discounted at the rate currently applicable to infrastructure loan, adjusted for risk enhancement) of the future interest payable so stipulated in the restructuring or rescheduling or renegotiation proposal.

(vi) Funded Interest:

In the case of funding of interest in respect of NPAs, where the interest funded is recognized as income, the interest funded shall be fully provided for.

(vii) Eligibility for Upgradation of Restructured / Rescheduled / Renegotiated Sub-standard Infrastructure loan:

The sub-standard asset subjected to rescheduling and / or renegotiation and / or restructuring, whether in respect of instalments of principal amount, or interest amount, by whatever modality, shall not be upgraded to the standard category until expiry of one year of satisfactory performance under the restructuring and / or rescheduling and / or renegotiation terms.

Asset classification of sub-standard asset will not deteriorate upon rescheduling and/or renegotiation and/or restructuring whether in respect of instalments or principal amount or interest amount by whatever modality, if satisfactory performance is demonstrated during the period of one year under the restructuring and/or rescheduling and/or renegotiation terms.

(viii) Reversal of Provision:

The provisions* held by the non-banking financial companies against non-performing infrastructure loan, which may be classified as 'standard' in terms of paragraph 6.7(iii) above, shall continue to be held until full recovery of the loan is made.

* The provision which is made in a restructured / rescheduled / renegotiated account towards interest sacrifice.

(ix) Conversion of Debt into Equity:

Where the amount due as interest is converted into equity or any other instrument, and income is recognized in consequence, full provision shall be made for the amount of income so recognized to offset the effect of such income recognition:

Provided that no provision is required to be made, if the conversion of interest is into equity which is quoted;

Provided further that in such cases, interest income may be recognized at market value of equity, as on the date of conversion, not exceeding the amount of interest converted to equity.

(x) Conversion of Debt into Debentures:

Where principal amount and / or interest amount in respect of NPAs is converted into debentures, such debentures shall be treated as NPA, ab initio, in the same asset classification as was applicable to the loan just before conversion and provision shall be made as per norms.

(xi) These norms shall be applicable to the loans which have been restructured and / or rescheduled and / or renegotiated and which are fully or partly secured standard / sub-standard asset.

For the above paragraphs, Restructuring / Re-schedulement / Renegotiation shall cover terms of agreement relating to principal and interest.

However, this section shall not be applicable to the following set of assets:

a) A facility which is backed by Central / State Government Guarantee or by state government undertaking for deduction from central plan allocation or a loan to state department.

b) Loans falling under paragraph 6.2(i).

7 FOREIGN EXCHANGE TRANSACTIONS

7.1 The following transactions are accounted for at the exchange rates prevailing on the date of the transaction as per Accounting Standard – 11.

i. Expenses and income in foreign currency; and

ii. Amounts borrowed and lent in foreign currency.

7.2 The following balances are translated in Indian Currency at the exchange rates prevailing on the date of closing of accounts as per Accounting Standard – 11.

i) Foreign currency loan liabilities.

ii) Funds kept in foreign currency account with banks abroad.

iii) Contingent liabilities in respect of guarantees given in foreign currency.

iv) Income earned abroad but not remitted / received in India.

v) Loans granted in foreign currency.

vi) Expenses and income accrued but not due on foreign currency loans / borrowing.

7.3 Where the Company has entered into a forward contract or an instrument that is, in substance a forward contract, the difference between the forward rate and the exchange rate on the date of transaction is recognized as income or expense over the life of the contract, as per Accounting Standard – 11.

7.4 In case of loan from KFW, Germany, exchange difference is transferred to Interest Differential Fund Account – KFW as per loan agreement.

7.5 In accordance with the paragraph 46A of the Accounting Standard (AS) 11, the exchange differences on the long term foreign currency monetary items are amortized over their balance period.

8. DERIVATIVE TRANSACTIONS

8.1 Derivative transactions include forwards, interest rate swaps, currency swaps, and currency and cross currency options to hedge on balance sheet assets or liabilities.

8.2 These derivative transactions are done for hedging purpose, and not for trading or speculative purpose. These are accounted for on accrual basis, and are not marked to market.

9 GRANTS FROM GOVERNMENT OF INDIA

9.1 Where grants are first disbursed to the grantee, the same are shown as amount recoverable from the Govt. of India and are squared up on receipt of amount.

9.2 Where grants are received in advance from Govt. of India, the same are shown as current liabilities till the payments are released to the grantee.

10 INTEREST SUBSIDY FUND

10.1 Interest subsidy for eligible borrowers received from the Ministry of Power, Govt. of India under Accelerated Generation & Supply Programme (AG&SP) on net present value (NPV) basis is credited to Interest Subsidy Fund on receipt and is passed on to the borrowers over the eligible period of loan on respective dates of interest demands. Any excess / shortfall in the Interest Subsidy Fund is refunded or adjusted / charged off on completion of respective scheme.

10.2 Interest Subsidy Fund is credited at the year-end with interest on the outstanding balance in the subsidy fund by debiting Statement of Profit & Loss, at rates specified in the Scheme.

11 R-APDRP FUND

11.1 Amounts received from the Government of India under Re-structured Accelerated Power Development & Reforms Programme (R – APDRP) as a Nodal agency for on-lending to eligible borrowers are back to back arrangements with no profit or loss arising to the Company.

12 INCOME / RECEIPT / EXPENDITURE ON SUBSIDIARIES

12.1 Expenditure incurred on the subsidiaries is debited to the account "Amount recoverable from concerned subsidiary".

12.2 Expenses in respect of man days (employees) are allocated to subsidiaries and administrative overheads are apportioned to subsidiaries on estimated basis. Direct expenses are booked to respective subsidiaries.

12.3 Interest on amount recoverable from subsidiaries (promoted as SPVs for Ultra Mega Power Projects) is accounted for at the rate of interest applicable for project loan / scheme (generation) to state sector borrower (category A) as per the policy of the Company.

12.4 Amounts received by subsidiaries as commitment advance from power procurers are parked with the Company as inter-corporate loans and interest is provided on unused portion of these loans at the mutually agreed interest rates.

12.5 Request for Qualification (RFQ) document / Request for Proposal (RFP) document developed for subsidiaries (incorporated for UMPP) are provided to subsidiary companies at a price equivalent to sale proceeds of RFQ / RFP document received by the subsidiary companies from the prospective bidders. The same is accounted for as income of the company on receipt from subsidiary company.

12.6 The Company incurs expenditure for development work in the UMPPs. The expenditure incurred is shown as amount recoverable from the respective subsidiaries set up for development of UMPPs. Provisioning / write off is considered to the extent not recoverable, when an UMPP is abandoned by the Ministry of Power, Government of India.

13 EMPLOYEE BENEFITS

13.1 Provident Fund, Gratuity, Pension Fund and Post Retirement Benefits

Company's contribution paid / payable during the financial year towards provident fund and pension fund are charged in the statement of Profit and Loss. The Company's obligation towards gratuity to employees and post retirement benefits such as medical benefits, economic rehabilitation benefit, and settlement allowance after retirement are actuarially determined and provided for as per Accounting Standard – 15 (Revised).

13.2 Other Employee Benefits

The Company's obligation towards sick leave, earned leave, service award scheme are actuarially determined and provided for, as per Accounting Standard – 15 (Revised).

14 INCOME TAX

14.1 Income Tax comprising of current tax is determined in accordance with the applicable tax laws and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period) in accordance with Accounting Standard – 22 on Accounting for Taxes on Income.

Deferred tax charge or credit and corresponding deferred tax liabilities or assets are recognized using tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred Tax Assets are recognized and carried forward to the extent there is a reasonable certainty that sufficient future taxable income will be available against which such Deferred Tax Assets can be realized.

14.2 Since the Company has passed a Board resolution that it has no intention to make withdrawal from the Special Reserve created and maintained under section 36(1)(viii) of the Income Tax Act, 1961, the special reserve created and maintained is not capable of being reversed and thus it becomes a permanent difference. The Company does not create any deferred tax liability on the said reserve in accordance with the clarification of the Accounting Standard Board of the Institute of Chartered Accountants of India**.**

15 CASH FLOW STATEMENT

Cash flow statement is prepared in accordance with the indirect method prescribed in Accounting Standard – 3 on Cash Flow Statement.

Part – C
Other Notes on Accounts

1. The Company is a government company engaged in extending financial assistance to power sector.

2. Contingent liabilities: (₹ in crore)

(a)

S. No	Particulars	Amount as on 31.03.2014	Amount as on 31.03.2013
1.	Default guarantees issued in foreign currency - US $ 4.14 million (as on 31.03.2013 US $ 7.54 million)	25.07	41.34
2.	Guarantees issued in domestic currency	299.20	335.57
3.	Claims against the Company not acknowledged as debts	0.04	0.04
4.	Outstanding disbursement commitments to the borrowers by way of Letter of Comfort against loans sanctioned	2,274.96	4,247.61
	Total	**2,599.27**	**4,624.56**

(b) Additional demands raised by the Income Tax Department totaling to ₹ 49.87 crore (as on 31.03.2013 ₹ 55.93 crore) of earlier years are being contested. Further, the Income Tax Department has filed appeals before ITAT against the orders of CIT (A) allowing relief to the Company totaling to ₹ 79.26 crore (as on 31.03.2013 ₹ 67.96 crore). The same are being contested. The Management does not consider it necessary to make provision, as the probability of tax liability devolving on the Company is negligible.

3. Additional demands raised by the Income Tax Department (net of relief granted by Appellate Authorities) amounting to ₹ 55.10 crore for Assessment Years 2001-02 to 2011-12 have been provided for and are being contested by the Company.

4. Ministry of Corporate Affairs (MoCA), Government of India, vide its Circular No. 6/3/2001 – CL.V dated 18.04.2002 prescribed adequacy of Debenture Redemption Reserve (DRR) as 50% of the value of debentures issued through public issue; subsequently, the MoCA through its circular No. 11/02/2012-CL-V(A) dated 11.02.2013 modified the adequacy of DRR to 25%.

In this regard, the Company has requested the MoCA for clarification, which is awaited. Pending receipt of clarification, the Company is creating DRR for public issue of bonds / debentures @ 50% for the issues for which prospectuses had been filed before 11.02.2013 and @ 25% for the subsequent public issues.

5. Foreign currency actual outgo and earning:

(₹ in crore)

S. No.	Description	FY ended 31.03.2014	FY ended 31.03.2013
A.	**Expenditure in foreign currency**		
i)	Interest on loans from foreign institutions	249.69	187.78
ii)	Financial & Other charges	9.58	74.88
iii)	Traveling Expenses	Nil	0.13
iv)	Training Expenses	0.25	0.11
B.	**Earning in foreign currency**	Nil	Nil

6.1 Related party disclosures:

Key managerial personnel:

Name	Period
Shri M K Goel, Director (Commercial) & additional charge as CMD	with effect from 27.07.2007 as Director Commercial and from 13.09.2013 with additional charge as CMD
Shri Satnam Singh, CMD	from 01.08.2008 to 13.09.2013
Shri R Nagarajan, Director (Finance)	with effect from 31.07.2009
Shri A K Agarwal, Director (Project)	with effect from 13.07.2012

Managerial remuneration: (₹ in crore)

	Chairman & Managing Director		Other Directors	
	For FY ended 31.03.2014	**For FY ended 31.03.2013**	**For FY ended 31.03.2014**	**For FY ended 31.03.2013**
Salaries and allowances	0.49	0.51	1.17	1.00
Contribution to provident fund and other welfare fund	0.02	0.04	0.11	0.09
Other perquisites / payments	0.04	0.09	0.27	0.24
Total	**0.55**	**0.64**	**1.55***	**1.33**

* Includes salary of Sh. M. K. Goel, Director (Commercial) holding additional charge of CMD.

In addition to the above perquisites, the Chairman & Managing Director and other Directors have been allowed to use staff car including private journey up to a ceiling of 1,000 kms per month on payment of ₹ 2,000/- per month.

6.2 Investment in share capital of companies incorporated in India as subsidiaries / joint venture companies including companies promoted as Special Purpose Vehicles (SPV) for ultra-mega power projects are given below:-

SL	Name of the companies	Date of investment	No. of shares subscribed	% of ownership	Amount (₹ in crore)
A	**Subsidiary Companies (i)**				
1.	PFC Consulting Limited	09.04.2008	50,000	100%	0.05
2.(a)	PFC Green Energy Limited (Equity Shares)	29.07.2011 08.12.2011 29.03.2012 21.03.2013 18.06.2013 07.10.2013	50,000 44,50,000 4,90,000 2,10,00,000 1,36,00,000 6,04,10,000	100%	100.00
(b)	PFC Green Energy Limited (Preference Shares)	21.03.2013 18.06.2013 07.10.2013	8,40,00,000 5,44,00,000 6,16,00,000	100%	200.00
3.	PFC Capital Advisory Services Ltd	01.09.2011	1,00,000	100%	0.10
4	Power Equity Capital Advisors (Private) Limited	15.04.2008 11.10.2011	15,000 35,000	100%	0.05
	Sub-Total (A)		**30,02,00,000**		**300.20**
B	**Subsidiary Companies promoted as SPVs for Ultra Mega Power Projects (ii)**				
1.	Coastal Maharashtra Mega Power Limited	05.09.2006	50,000	100%	0.05
2.	Orissa Integrated Power Limited	05.09.2006	50,000	100%	0.05
3.	Coastal Karnataka Power Limited	14.09.2006	50,000	100%	0.05
4.	Coastal Tamil Nadu Power Limited	31.01.2007	50,000	100%	0.05
5.	Chhattisgarh Surguja Power Limited	31.03.2008	50,000	100%	0.05
6.	Sakhigopal Integrated Power Company Limited	27.01.2010	50,000	100%	0.05
7.	Ghogarpalli Integrated Power Company Limited	27.01.2010	50,000	100%	0.05
8.	Tatiya Andhra Mega Power Limited	27.01.2010	50,000	100%	0.05
9.	Deoghar Mega Power Limited	30.07.2012	50,000	100%	0.05
10.	Cheyyur Infra Limited.	24.03.2014	50,000	100%	0.05
11.	Odisha Infrapower Limited	27.03.2014	50,000	100%	0.05
	Sub-Total (B)		**5,50,000**		**0.55**
C	**Joint venture Companies (i)**				
1	National Power Exchange Limited	18.12.2008 03.09.2010	8,33,000 13,54,015	16.66%	2.19
2.	Energy Efficiency Services Limited	21.01.2010 26.03.2013	6,25,000 2,18,75,000	25%	22.50
	Sub-Total (C)		**2,46,87,015**		**24.69**
	TOTAL (A) + (B) + (C)		**32,54,37,015**		**325.44**

(i) The financial statements are consolidated as per Accounting Standard 21 – Consolidated Financial Statements and Accounting Standard 27 – Financial Reporting of Interests in Joint Ventures.

(ii) The subsidiary companies were incorporated as SPVs under the mandate from the Government of India for development of ultra-mega power projects (UMPPs) with the intention to hand over the same to successful bidders on completion of the bidding process. The financial statements of these subsidiaries are attached as required under Section 212 of the Companies Act, 1956 without consolidating, in accordance with paragraph 11 of Accounting Standard-21.

6.3 The Company's share of assets, liabilities, contingent liabilities and capital commitment as on 31.03.2014 and income and expenses for the period in respect of joint venture entities based on their unaudited financial statements are given below: **(₹ in crore)**

S.No.	Particulars	As at 31.03.2014			As at 31.03.2013		
		NPEL	EESL	Total	NPEL	EESL	Total
	Ownership (%)	**16.66**	**25**		**16.66**	**25**	
A	Assets						
	Non Current assets	0.03	1.99	**2.02**	0.00	0.25	**0.25**
	Current assets	1.13	29.61	**30.74**	1.35	30.66	**32.01**
	Total	**1.16**	**31.60**	**32.76**	**1.35**	**30.91**	**32.26**
B	Liabilities						
	Non Current Liabilities	-	0.08	**0.08**	-	0.02	**0.02**
	Current Liabilities	0.03	4.80	**4.83**	0.23	5.01	**5.24**
	Total	**0.03**	**4.88**	**4.91**	**0.23**	**5.03**	**5.26**
C	Contingent liabilities	-	-	**-**	-	-	**-**
D	Capital commitments	-	5.52	**5.52**	-	-	**-**
		For the period			For the period		
E	Total Income	0.11	8.39	**8.50**	0.12	6.58	**6.70**
F	Total Expenses	0.12	7.13	**7.25**	0.41	4.23	**4.64**

6.4 The details of amount recoverable (including interest thereon) from the respective subsidiaries are given below:

(₹ in crore)

Name of the Subsidiary Companies	Amount as on 31.03.2014	Amount as on 31.03.2013	Maximum during the year ended 31.03.2014	Maximum during the year ended 31.03.2013
Coastal Maharashtra Mega Power Limited	7.88	7.00	7.88	7.00
Orissa Integrated Power Limited	92.97	90.31	106.62	90.31
Coastal Karnataka Power Limited	3.32	2.80	3.33	2.80
Coastal Tamil Nadu Power Ltd.	57.00	40.41	57.00	40.41
Chhattisgarh Surguja Power Limited	68.37	60.50	68.42	60.50
Sakhigopal Integrated Power Company Limited	4.50	3.26	4.50	3.26
Ghogarpalli Integrated Power Company Limited	3.89	2.89	3.89	2.89
Tatiya Andhra Mega Power Limited	11.28	9.84	11.30	9.84
Deoghar Mega Power Ltd	5.00	2.43	5.01	2.43
PFC Green Energy Ltd.	0.40	0.00	0.40	0.00
PFC Capital Advisory Services Limited	0.36	0.10	0.49	0.10
Cheyyur Infra Limited	0.01	-	0.01	-
Odisha Infra Power Ltd.	0.01	-	0.01	-
Total	**254.99**	**219.54**	**268.86**	**219.54**

6.5 The details of amounts payable to subsidiaries (including interest) in respect of amounts contributed by power procurers and other amounts payable are given below:

(₹ in crore)

Name of the Subsidiary Companies	Amount as on 31.03.2014	Amount as on 31.03.2013	Maximum during the year ended 31.03.2014	Maximum during the year ended 31.03.2013
PFC Consulting Limited (PFCCL)	5.39	3.54	5.40	3.54
PFC Green Energy Ltd.	0.00	0.03	0.00	(0.05)
Coastal Maharashtra Mega Power Limited	56.47	52.97	56.47	52.97
Orissa Integrated Power Limited	67.57	62.57	67.57	62.57
Coastal Tamil Nadu Power Limited	63.72	58.92	63.72	58.92
Chhattisgarh Surguja Power Limited	61.16	56.17	61.16	56.17
Sakhigopal Integrated Power Company Limited	22.24	20.69	22.24	20.69
Ghogarpalli Integrated Power Company Limited	21.08	19.27	21.08	19.27
Tatiya Andhra Mega Power Limited	27.02	25.02	27.02	25.02
Total	**324.65**	**299.18**	**324.66**	**299.10**

6.6	(i) Investment in "Small is Beautiful" Fund: - The Company has outstanding investment of ₹ 7.68 crore (as on 31.03.2013 ₹ 7.68 crore) in units of Small is Beautiful Fund. The face value of the Fund is ₹ 10 per unit. The NAV as on 31.03.2014 is ₹ 9.70 per unit (₹ 9.77 per unit as on 31.03.2013). As investment in Small is Beautiful Fund is long term investment, the fluctuation in NAV in the current scenario is considered as temporary. (ii) Investment in equity (unquoted) in Power Exchange India Limited:- Power Exchange India Ltd. (PXIL) has been promoted by National Stock Exchange (NSE) and National Commodity and Derivatives Exchange Limited (NCDEX). The authorized share capital is ₹ 100 crore consisting of 8 crore equity shares of ₹ 10/- each and 2 crore preference shares of ₹ 10/- each as on 31.03.2014. The paid up equity share capital of PXIL is ₹ 46.47 crore, as on 31.03.2014. The Company has subscribed ₹ 3.22 crore (₹ 2.80 crore as on 31.03.2013) of the paid up capital of PXIL.
7.	Interest Differential Fund (IDF) – KFW The agreement between KFW and PFC provides that the IDF belongs to the borrowers solely and will be used to cover the exchange risk variations under this loan and any excess will be used in accordance with the agreement. The balance in the IDF fund has been kept under separate account head titled as Interest Differential Fund – KFW and shown as a liability. The total fund accumulated as on 31.03.2014 is ₹ 54.63 crore (as on 31.03.2013 ₹ 54.73 crore), after transferring exchange difference of ₹ 16.56 crore (as on 31.03.2013 ₹ 15.21 crore).
8.	Foreign currency liabilities not hedged by a derivative instrument or otherwise:-

Liabilities in Foreign Currencies	Foreign Currency (in millions)	
	31.03.2014	**31.03.2013**
USD	791.93	805.90
EURO	20.87	22.80
JPY	36,807.40	41,643.20

9. (a) Asset under finance lease after 01.04.2001:

(i) The gross investment in the leased assets and the present value of the minimum value receivable at the balance sheet date and the value of unearned financial income are given in the table below

(₹ in crore)

Particulars	As on 31.03.2014	As on 31.03.2013
Total of future minimum lease payments recoverable (Gross Investments)	433.52	500.33
Present value of lease payments recoverable	242.54	285.07
Unearned finance income	**190.98**	**215.26**
Maturity profile of total of future minimum lease payments recoverable (Gross Investment)		
Not later than one year	54.34	70.77
Later than one year and not later than 5 years	102.87	127.55
Later than five years	276.31	302.01
Total	**433.52**	**500.33**
Break up of present value of lease payments recoverable		
Not later than one year	33.15	45.93
Later than one year and not later than 5 years	33.11	53.44
Later than five years	176.28	185.70
Total	**242.54**	**285.07**

(ii) The Company had sanctioned an amount of ₹ 88.90 crore in the year 2004 as finance lease for financing wind turbine generator (commissioned on 19.07.2004). The sanction was reduced to ₹ 88.85 crore in December 2006. The gross investment stood at the level of ₹ 4.21 crore as on 31.03.2014. The lease rent is to be recovered within a period of 15 Years, starting from 19.07.2004, which comprises of 10 years as a primary period and 5 years as a secondary period.

(iii) The Company had sanctioned an amount of ₹ 98.44 crore in the year 2004 as finance lease for financing wind turbine generator (commissioned on 18.5.2004). The gross investment stood at ₹ 22.53 crore as on 31.03.2014. The lease rent is to be recovered within a period of 20 years, starting from 18.05.2004, which comprises of 10 years as a primary period and a maximum of another 10 years as a secondary period.

(iv) The Company had sanctioned an amount of ₹ 93.51 crore in the year 2004 as finance lease for financing wind turbine generator (commissioned on 09.06.2005). The gross investment stood at ₹ 1.96 crore as on 31.03.2014. The lease rent is to be recovered within a period of 19 years 11 months, starting from 09.06.2005, which comprises of 10 years as a primary period and a maximum of 9 years and 11 months as a secondary period.

(v) The Company had sanctioned an amount of ₹ 228.94 crore in the year 2008 as finance lease for financing wind turbine generator (commissioned on 18.05.2004). The gross investment stood at ₹ 404.82 crore as on 31.03.2014. The lease rent is to be recovered within a period of 25 years, starting from 01.01.2012, which comprises of 18 years as a primary period and a maximum of 7 years as a secondary period.

b) Operating Lease:

The Company's operating leases consists:-

Premises for offices and for residential use of employees are lease arrangements, and are usually renewable on mutually agreed terms, and are cancellable. Rent for residential accommodation of employees include ₹ 4.19 crore (during year ended 31.03.2013 ₹ 3.84 crore) towards lease payments, net of recoveries in respect of premises for residential use of employees. Lease payments in respect of premises for employees are shown as rent for residential accommodation of employees in Note Part A 16 – Employee Benefit Expenses. Lease payments in respect of premises for offices are shown as office rent in Note Part A 17 – Other Expenses.

10. Subsidy under Accelerated Generation & Supply Programme (AG&SP):

(i) The Company claimed subsidy from Govt. of India at net present value calculated at indicative interest rates in accordance with the GOI's letter vide D.O.No.32024 / 17 / 97 – PFC dated 23.09.1997 and O.M.No.32024 / 23 / 2001 – PFC dated 07.03.2003, irrespective of the actual repayment schedule, moratorium period and duration of repayment. The amount of interest subsidy received and to be passed on to the borrower is retained as Interest Subsidy Fund Account. The impact of difference between the indicative rate and period considered at the time of claims and at the time of actual disbursement can be ascertained only after the end of the respective schemes. However on the basis of the projections made for each project (based upon certain assumptions that these would remain same over the projected period of each loan / project), the Company estimated the net excess amount of ₹ 6.32 crore and ₹ 74.53 crore as at 31.03.2014 for IX and X Plan, respectively under AG&SP schemes, and there is no shortfall. This net excess amount is worked out on overall basis and not on individual basis and may vary due to change in assumptions, if any, during the projected period such as changes in moratorium period, repayment period, loan restructuring, pre-payment, interest rate reset etc. Any excess / shortfall in the interest subsidy fund will be refunded or adjusted / charged off on completion of the respective scheme.

(ii) The balance under the head Interest Subsidy Fund shown as liability, represents the amount of subsidy received from Ministry of Power, Govt. of India which is to be passed on to the borrowers against their interest liability arising in future, under Accelerated Generation & Supply Programme (AG&SP), which comprises of the following : -

(₹ in crore)

Particulars	**As on 31.03.2014**	**As on 31.03.2013**
Opening balance of Interest Subsidy Fund (As on 1st day of the Financial Year)	145.78	376.21
Add : - Received during the period	--	--
: - Interest credited during the period	10.70	18.99
: - Refund by the borrower due to non – commissioning of project in time	--	--
Less : Interest subsidy passed on to borrowers	32.61	49.42
Refunded to MoP:		
(a) Estimated net excess against IX Plan	--	--
(b) Due to non- commissioning of Project in time	--	--
(c) Estimated net excess against X Plan	--	200.00
Closing balance of interest subsidy fund	**123.87**	**145.78**

11. The Company had exercised the option under para 46A of the AS-11 - 'The Effects of Changes in Foreign Exchange Rates', to amortize the exchange differences on the long term foreign currency monetary items over their tenure. Consequently, as on 31.03.2014 the balance under Foreign Currency Monetary Item Translation Difference Account (FCMITDA) is ₹ 709.21 crore (as on 31.03.2013 ₹ 477.97 crore) and shown on the "Equity and Liabilities" side of the balance sheet under the head "Reserve and Surplus", as a separate line item.

12. (i) The Company has been designated as the Nodal Agency for operationalisation and associated service for implementation of the Re-structured Accelerated Power Development and Reforms Programme (R – APDRP) during XI Plan by the Ministry of Power, Government of India (GOI) under its overall guidance. Further, MoP vide order dated 08.07.2013 had agreed to continue R-APDRP in XII /XIII Plan, inter-alia including extension of Part-A projects completion period from 3 to 5 years.

Projects under the scheme are being taken up in two parts. Part – A includes the projects for establishment of baseline data and IT applications for energy accounting as well as IT based customer care centers. Part – B includes regular distribution strengthening projects. GoI provides 100% loan for Part A and up to 25% (up to 90% for special category States) loan for Part – B. Balance funds for Part – B projects can be raised by the utilities from PFC / REC / multi-lateral institutions and / or own resources. The loans under Part A- along with interest thereon are convertible into grant as per R – APDRP guidelines. Similarly, up to 50% (up to 90% for special category states) of the loan against Part –B project would be convertible in to grant as per R – APDRP guidelines. Enabling activities of the programme are covered under Part – C.

The loans under R – APDRP are routed through the Company for disbursement to the eligible utilities. The amount so disbursed but not converted in to grants as per R – APDRP guidelines will be repaid along with interest to the GoI on receipt from the borrowers.

The details are furnished below : (₹ in crore)

Particulars	Amount recoverable from borrowers & payable to GOI		R – APDRP Fund		Amount payable to GOI (Interest earned on Fixed Deposit)	
	FY 2013-14	FY 2012-13	FY 2013-14	FY 2012-13	FY 2013-14	FY 2012-13
Opening balance as on 1st day of the Financial Year	**6,694.63**	**5,502.88**	**0.00**	**0.00**	**0.25**	**11.09**
Additions during the period	640.00	1,217.45	640.00	1,217.45	0.00	1.03
Recoveries / refunds / changes during the period	(18.78)	(25.7)	(640.00)	(1217.45)	(0.25)	11.93
Closing balance (A)	**7,315.85**	**6,694.63**	**0.00**	**0.00**	**0.00**	**0.19**
Interest Accrued but not due (Int. earned on FD) **(B)**					0.00	0.06
Interest on loan under R-APDRP						
(i) Accrued but not due						
Opening Balance	**1,327.94**	**775.24**				
Additions during the period	627.24	552.70				
Transfer to Accumulated Moratorium Interest	(340.43)					
Transfer to Interest Accrued and Due	(9.66)					
Closing Balance	**1,605.09**	**1327.94**				
(ii) Accrued and due						
Opening Balance	**0.00**					
Additions During the period	9.66					
Recovered and refunded to GoI	(5.97)					
Closing Balance	**3.69**					
Interest on loan under R-APDRP (C) = (i + ii)	**1,608.78**	**1327.94**				
Accumulated Moratorium Interest						
Opening Balance	**0.00**					
Additions During the period	340.43					
Recovered and refunded to GoI	(1.51)					
Closing Balance (D)	**338.92**					
Interest on Accumulated Moratorium Interest						
(i) Accrued but not due						
Opening Balance	**0.00**					
Additions During the period	4.48					
Transfer to interest accrued and due	(3.06)					
Closing Balance	**1.42**					
(ii) Accrued and due						
Opening Balance	**0.00**					
Additions During the period	3.06					
Recovered and refunded to GoI	(0.85)					
Closing Balance	**2.21**					
Interest on Accumulated Moratorium Int. (E) = (i + ii)	**3.63**					
Closing Balance (A+B+C+D+E)	**9,267.18**	**8,022.57**	**0.00**	**0.00**	**0.00**	**0.25**

(ii) As on 31.03.2014, the total amount of nodal agency fee and reimbursement of expenditure received / receivable by PFC has been as under:-

(₹ in crore)

	During the FY ended 31.03.2014	During the FY ended 31.03.2013	Cumulative up-to	
			31.03.2014	31.03.2013
Nodal agency fee *	18.50	16.52	163.79	145.29
Reimbursement of expenditure	(21.81)**	21.81	61.86	83.67
Total	**(3.31)**	**38.33**	**225.65**	**228.96**

* Exclusive of Service Tax

** Reversal for FY 2012-13

(iii) As per Office Memorandum No. 14 / 03 / 2008 – APDRP dated 20th August, 2010 of the MoP, GoI, the total amount receivable against the nodal agency fee plus the reimbursement of actual expenditure will not exceed ₹ 850 crore or 1.7 % of the likely outlay under Part A & B of R – APDRP, whichever is less.

(iv) In line with the R – APDRP scheme approved by MoP, GoI , vide Office Memorandum No. 14 / 03 / 2008 – APDRP dated 20th August, 2010, till 31.03.2013, Nodal Agency Fees under R – APDRP had been accounted for @ 1% of the sanctioned project cost in three stages - 0.40% on sanction of the project, 0.30% on disbursement of the funds and remaining 0.30% after completion of the sanctioned project (for Part – A) and verification of AT&C loss of the project areas (for Part – B). Further, actual expenditure, including expenditure allocable on account of PFC manpower, incurred for operationalising the R– APDRP were reimbursed / reimbursable by Ministry of Power, Government of India.

Ministry of Power (MoP) vide letter dated 15.07.2013 informed that as per Department of Expenditure (DoE), Nodal Agency Fee for R-APDRP scheme for 12th plan may be restricted to 0.5% of the sanctioned project cost or actual expenditure, whichever is less.

It was also indicated in the MoP letter dated 15.07.2013 that proposal for any higher nodal agency fee may be considered, if agreed by the DoE. Accordingly, the Company has submitted a proposal to MoP (vide our letter dated 22.08.2013) for consideration of Nodal Agency Fee @ 0.50% on R-APDRP sanctions and reimbursement of actual expenditure incurred under R–APDRP (excluding PFC manpower expenditure), from 12th plan onward. The proposal is under consideration by MoP, GoI.

Pending finalization, nodal agency fee / reimbursement of expenditure for 12th plan has been accounted for during the year (with effect from 01.04.2012) on provisional basis as indicated by DoE through MoP communication dated 15.07.2013. Accordingly, nodal agency fee income amounting to ₹ 18.50 crore (₹ 18.43 crore for FY 2013-14 and ₹ 0.07 crore for FY 2012-13) has been recognised during the year. Further, ₹ 42.59 crore on account of expenditure allocable to R-APDRP has been accounted for separately and appearing under Note Part-A-17-other expenses (including ₹ 21.81 crore of FY 2012-13 earlier booked as recoverable from MoP, GoI).

13.1 The Company has been creating provision for standard assets in phases with effect from FY 2012-13, in three years period @ of 0.0833% p.a, in order to bring it to 0.25% on 31st March 2015 in line with the accounting policy introduced during the financial year 2012-13. Further, RBI vide its letter dated 25-07-2013 has directed that provision may be made @ 0.25% ab-initio for all new assets. Accordingly, the Company has changed its accounting policy to create provision @ 0.25% for all new standard assets created in the current year, while finalisation of half yearly financial statements as at 30.09.2013. The Board of Directors' in its meeting dated 27.03.2014 decided to accelerate the provisioning for Standard Assets, so as to bring it to 0.25% as on 31.03.2014 instead of on 31.03.2015. Therefore, the accounting policy has again been changed, during the quarter ended as at 31.03.2014, with effect from 01.04.2013 to create provision for standard assets @ 0.25% of the outstanding as the end of the financial year. As on 31.03.2014, the Standard Asset provision stands at ₹ 469.42 crore (₹ 132.79 crore as on 31.03.2013). Due to this change in accounting policy, the profit for the year ended 31.03.2014 has decreased by ₹ 156.47 crore.

13.2 The Company being a Government owned Non-Banking Financial Company is exempt from the RBI directions relating to Prudential Norms. The Company, however, formulated its own set of Prudential Norms with effect from 01.04.2003, which are revised from time to time. Ministry of Power (MoP), Government of India (GoI) initially accorded its approval to the Prudential Norms of the Company vide letter dated 19-04-2007 and thereafter extended validity of the same for subsequent financial years. The prudential norms applicable for financial year 2013-14 are approved by MoP, GoI, vide its letter dated 23.05.2012 as per which the Prudential Norms as applicable to the Company upto 31/03/2012 will continue to be applicable up to 31.03.2013 or till further orders.

Further, RBI vide its notification dated 12.12.2006 proposed to bring all deposit taking and systemically important government owned NBFCs under the RBI's direction on Prudential Norms from a date to be decided later and advised Government companies to submit a roadmap for compliance with various elements of the NBFCs regulation in consultation with Government. Accordingly, PFC has been submitting roadmaps as advised by RBI from time to time on the basis of which exemption was granted by RBI upto FY 12-13.

In response to the Road Map and subsequent correspondence, RBI vide its letter dated 25.07.2013 advised on certain issues relating to Provisioning of Standard assets, etc. and informed that the matters relating to the Restructuring / Reschedulement / Renegotiation (R/R/R) of assets and the credit concentration norms are under its consideration and it will revert back in due course. RBI has also advised the Company to take steps to comply with RBI Prudential Norms by 31.03.2016. The Company has informed to RBI its implementation strategy for the above directions of RBI vide letter dated 07.10.2013 wherein for matter relating to the R/R/R of assets and the credit concentration norms, it has been informed that the Company shall continue to follow its extant norms for these matters till further directions from RBI.

Now, RBI vide letter dated 3rd April 2014 has allowed the exemption from credit concentration norms in respect of exposure to Central / State Government entities till 31.03.2016 and for the matter relating to R/R/R, RBI has advised the Company to follow the instructions contained in RBI circular DNBS.CO.PD.No. 367/03.10.01/2013-14 dated 23.01.2014. In this regard the Company vide letter dated 25.04.2014 has submitted an implementation strategy to comply with RBI directions on R/R/R of assets for the consideration of RBI and also stated that PFC will follow the restructuring provisions contained in its extant prudential norms till such time RBI may issue

	further instructions in this respect. MoP, GoI, vide its letter dated 15.05.2014 has also requested RBI to consider the implementation strategy as communicated by the Company. The response from RBI is awaited. Since the Company is following norms relating to R/R/R duly approved by MoP, GoI, the management is of the view that RBI norms on R/R/R are not applicable to the Company for the financial year 2013-14.
14.	The net deferred tax liabilities of ₹ 274.22 crore (as on 31.03.2013 ₹ 219.79 crore) have been computed as per Accounting Standard 22 Accounting for Taxes on Income. The breakup of deferred tax liabilities is given below: -

(₹ in crore)

Description	As on 31.03.2014	As on 31.03.2013
(a) Deferred Tax Asset (+)		
(i) Provision for expenses not deductible under Income Tax Act	23.28	7.82
(b) Deferred Tax Liabilities (-)		
(i) Depreciation	(1.42)	(1.04)
(ii) Lease income	(79.95)	(95.00)
(iii) Amortization	(0.83)	(1.29)
(iv) Unamortized Exchange Loss (Net)	(215.30)	(130.28)
Net Deferred Tax liabilities (-)/Assets (+)	**(274.22)**	**(219.79)**

15. In compliance with Accounting Standard – 20 on Earning Per Share issued by the Institute of Chartered Accountants of India, the calculation of Earning Per Share (basic and diluted) is as under:-

Particulars	Year ended 31.03.2014	Year ended 31.03.2013
Net Profit after tax used as numerator (₹ in crore)	5,417.75	4,419.60
Weighted average number of equity shares used as denominator (basic)	132,00,31,803	131,99,82,855
Weighted average number of equity shares used as denominator (diluted)	132,00,39,328	131,99,90,939
Earning per share (basic & diluted) (₹)	41.04	33.48
Face value per share (₹)	10	10

16. The Company has no outstanding liability towards Micro, Small and Medium enterprises.

17. Leasehold land is not amortized, as it is a perpetual lease.

18. Liabilities and assets denominated in foreign currency have generally been translated at TT selling rate of SBI at year end as given below: -

S. No.	Exchange Rates	31.03.2014	31.03.2013
1	USD / INR	60.49	54.80
2	JPY / INR	0.5903	0.5847
3	EURO / INR	83.48	70.28

In-case of specific provision in the loan agreement for a rate other than SBI TT selling rate, the rate has been taken as prescribed in the respective loan agreement.

19.1 The Company has made the public issue of 75,00,000 tax free bonds (secured) with an option to retain oversubscription upto 3,87,59,000 bonds at the face value of ₹ 1,000/- each during the current financial year and has mobilized ₹ 3875.90 crore. The security has been created on 14-Nov-2013 and bonds have been allotted on 16-Nov-2013. The bonds have been listed in the BSE on 19-Nov-2013. The proceeds of the bond issue have been utilized for the purpose mentioned in the offer document.

19.2 During the financial year 2013-14, Government of India (GoI) has set up a fund called Goldman Sachs CPSE Exchange Traded Scheme ("GS CPSE BeES") launched by Goldman Sachs Asset Management (India) Private Limited (AMC). Accordingly, in March 2014, Government of India, Ministry of Power, acting through Department of Disinvestment, has disinvested 1,21,06,076 equity shares of face value of ₹ 10/- each by selling it to the AMC. After disinvestment, the holding of Government of India in the paid up equity share capital of the Company has come down to 72.80% (As on 31.03.2013 73.72%).

20.1 Disclosures as per Accounting Standard –15 :-

A. Provident fund

The Company pays fixed contribution to provident fund at prescribed rates to a separate trust, which invests the funds in permitted securities. The contribution to the fund for the period is recognized as expense and is charged to the statement of profit and loss. The trust to ensure a minimum rate of return to the members as specified by GoI. However, any short fall for payment of interest to members as per specified rate of return has to be compensated by the Company. The Company estimates that no liability will take place in this regard in the near future and hence no further provision is considered necessary.

B. Gratuity

The Company has a defined gratuity scheme and is managed by a separate trust. The provision for the same has been made on actuarial valuation based upon total number of years of service rendered by the employee subject to a maximum amount of ₹ 10 lakh.

C. Pension

The Company has a defined contribution pension scheme which is in line with guidelines of the Department of Public Enterprise (DPE) and is managed by a separate trust. Employer contribution to the fund has been contributed on monthly basis. Pension is payable to the employee of the corporation as per the scheme.

D. Post Retirement Medical Scheme (PRMS)

The Company has Post-Retirement Medical Scheme (PRMS), under which retired employees and their dependent family member are provided with medical facilities in empanelled hospitals. They can also avail reimbursement of out-patient treatment subject to a ceiling fixed by the Company.

E. Terminal Benefits

Terminal benefits include settlement in home town for employees & their dependents.

F. Leave

The Company provides for earned leave benefit and half-pay leave benefit to the credit of the employees, which accrue on half yearly basis @ 15 days and 10 days, respectively. A maximum of 300 days of earned leave can be accumulated at any point of time during the service. There is no limit for accumulation of half pay leave. Earned leave is en-cashable during the service, while half pay leave is not en-cashable during the service or on separation / superannuation before 10 years. On separation after 10 years of service or on superannuation, earned leave plus half pay leave together can be en-cashed subject to a maximum of 300 days.

The above mentioned schemes (D, E and F) are unfunded and are recognized on the basis of actuarial valuation.

The summarised position of various defined benefits recognized in the Statement of Profit and Loss, Balance Sheet are as under {Figures in brackets ( ) represents to as on 31.03.2013}

i) Expenses recognised in Statement of Profit and Loss

(₹ in crore)

	Gratuity	**PRMS**	**Leave**
Current service cost	1.35 (1.18)	0.45 (0.36)	1.89 (1.89)
Interest cost on benefit obligation	1.29 (1.12)	0.76 (0.67)	1.63 (1.42)
Expected return on plan assets	-1.28 (-1.22)	0.00 (0.00)	0.00 (0.00)
Net actuarial (gain) / loss recognised in the year	-0.50 (0.40)	1.54 (0.46)	2.65 (2.37)
Expenses recognised in Statement of Profit & Loss Account	*0.86 (1.48)	*2.75 (1.49)	*6.17 (5.68)

(*) Includes ₹ 0.07 crore (as on 31.03.2013 ₹ 0.13 crore), ₹ 0.58 crore (as on 31.03.2013 ₹ 0.58 crore) and ₹ 0.11crore (as on 31.03.2013 ₹ 0.04 crore) for gratuity, leave and PRMS respectively allocated to subsidiary companies.

ii) The amount recognized in the Balance Sheet

(₹ in crore)

	Gratuity	**PRMS**	**Leave**
Present value of obligation as at 31.03.2014 (i)	17.98 (16.16)	11.75 (9.50)	20.66 (20.39)
Fair value of plan assets at 31.03.2014 (ii)	17.12 (14.67)	0.00 (0.00)	0.00 (0.00)
Difference (ii) – (i)	-0.86 (-1.48)	-11.75 (-9.50)	-20.66 (-20.39)
Net asset / (liability) recognized in the Balance Sheet	-0.86 (-1.48)	-11.75 (-9.50)	-20.66 (-20.39)

iii) Changes in the present value of the defined benefit obligations (₹ in crore)

	Gratuity	PRMS	Leave
Present value of obligation as at 01.04.2013	16.16 (14.03)	9.50 (8.33)	20.39 (17.74)
Interest cost	1.29 (1.12)	0.76 (0.67)	1.63 (1.42)
Current service cost	1.35 (1.18)	0.45 (0.36)	1.89 (1.89)
Benefits paid	-0.51 (-0.62)	-0.50 (-0.32)	-5.90 (-3.03)
Net actuarial (gain)/loss on obligation	-0.31 (0.45)	1.54 (0.46)	2.65 (2.37)
Present value of the defined benefit obligation as at 31.03.2014	17.98 (16.16)	11.75 (9.50)	20.66 (20.39)

iv) Changes in the fair value of plan assets (₹ in crore)

	Gratuity	PRMS	Leave
Fair value of plan assets as at 01.04.2013	14.67 (14.03)	0.00 (0.00)	0.00 (0.00)
Expected return on plan assets	1.28 (1.22)	0.00 (0.00)	0.00 (0.00)
Contributions by employer	1.48 (0.00)	0.00 (0.00)	0.00 (0.00)
Benefit paid	-0.51 (-0.62)	0.00 (0.00)	0.00 (0.00)
Actuarial gain / (loss)	0.20 (0.04)	0.00 (0.00)	0.00 (0.00)
Fair value of plan assets as at 31.03.2014	17.12 (14.67)	0.00 (0.00)	0.00 (0.00)

v) One percent increase / decrease in the inflation rate would impact liability for medical cost of PRMS, as under:-

Cost increase by 1% ₹ 1.72 crore
Cost decrease by 1% ₹ -1.79 crore

vi) During the year, the Company has provided liability towards contribution to the Gratuity Trust of ₹ 0.86 crore, to PRMS of ₹ 2.75 crore, to leave ₹ 6.17 crore and to pension ₹ Nil (during the year ended 31.03.2013 towards contribution to the Gratuity Trust of ₹ 1.48 crore, to PRMS of ₹ 1.62 crore, to leave ₹ 6.04 crore and to pension ₹ 0.69 crore). Above amount includes ₹ 0.07 crore (as on 31.03.2013 ₹ 0.13 crore), ₹ 0.58 crore (as on 31.03.2013 ₹ 0.58 crore) and ₹ 0.11crore (as on 31.03.2013 ₹ 0.04 crore) for gratuity, leave and PRMS respectively allocated to subsidiary companies.

G. Other Employee Benefits:-

During the year, provision of ₹ -0.05 crore (during the FY ended 31.03.2013 ₹ 0.08 crore) has been made for Economic Rehabilitation Scheme for Employees and provision of ₹ 0.74 crore has been made for Long Service Award for Employees (during the year ended 31.03.2013 ₹ 0.37 crore) on the basis of actuarial valuation made at the end of the year by charging / crediting the Statement of Profit and Loss.

H. Details of the Plan Asset:- Gratuity

The details of the plan assets at cost, as on 31.03.2014 are as follows:- (₹ in crore)

SL	Particulars	Year ended 31.03.2014	Year ended 31.03.2013
i)	Government Securities	9.69	8.53
ii)	Corporate bonds / debentures	6.82	5.61
	Total	**16.51**	**14.14**

Actuarial assumptions

Principal assumptions used for actuarial valuation are:-

Method used	Projected Unit Credit Method
Discount rate	8.50%
Expected rate of return on assets – Gratuity	8.70%
Future salary increase	6.50%

The estimates of future salary increases considered in actuarial valuation, take into account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

20.2 Details of provision as required in Accounting Standard – 29, {Figures in brackets ( ) represents to as on 31.03.2013}, are as under :

(₹ in crore)

Provision for	**Opening Balance (as on 1st April of the FY) (1)**	**Addition during the year (2)**	**Paid / adjusted during the year (3)**	**Closing Balance 4 = (1+2-3)**
Post-Retirement Medical Scheme	9.50 (8.33)	2.75 (1.62)	0.50 (0.45)	11.75 (9.50)
Gratuity	1.48 (0.64)	0.86 (1.48)	1.48 (0.64)	0.86 (1.48)
Provision for super annuation benefit (Pension)	0.15 (6.60)	0.00 (0.69)	0.08 (7.14)	0.07 (0.15)
Leave Encashment	20.39 (17.74)	6.17 (6.04)	5.90 (3.39)	20.66 (20.39)
Economic Rehabilitation Scheme for employee	1.31 (1.24)	-0.05 (0.08)	0.02 (0.01)	1.24 (1.31)
Bonus / Incentives / Base Line Compensation	27.00 (26.32)	10.41 (19.50)	19.19 (18.82)	18.22 (27.00)
Baggage Allowances	0.08 (0.07)	0.01 (0.01)	0.00 (0.00)	0.09 (0.08)
Service Award	3.71 (3.33)	0.74 (0.38)	0.41 (0.00)	4.04 (3.71)
Income Tax	3,419.83 (2,000.83)	2,081.03 (1547.63)	870.42 (128.63)	4,630.44 (3419.83)
Proposed Final Dividend	132.00 (132.00)	26.40 (132.00)	132.00 (132.00)	26.40 (132.00)
Proposed Corporate Dividend Tax	22.43 (21.41)	4.49 (22.43)	22.43 (21.41)	4.49 (22.43)

21 The Company has formulated a Corporate Social Responsibility & Sustainable Development (CSR & SD) policy in line with the guidelines issued by the Ministry of Heavy Industries and Public Enterprises (Department of Public Enterprises) from time to time. As per the CSR policy approved by the Company in October 2013, a minimum of 1% of the consolidated profit after tax of the previous period will be allocated every financial year for CSR & SD activities. Any unspent / unutilized CSR & SD allocation of a particular year will be carried forward to the following years and will have to be spent within the next 2 financial years, failing which it would be transferred to Sustainable Development fund to be created separately.

As there is an obligation under the policy to spend the amount allocated for CSR & SD activities within a specified time, in line with AS 29, the allocation for CSR & SD activities for the current year has been provided for by charging to profits; the CSR and SD reserves as on 31.03.2013 amounting to ₹ 18.85 crore have also been reversed and provided for by charging to profits. As on 31.03.2014, the CSR and SD provision stands at ₹ 32.33 crore after adjusting for the amount spent.

22 (i) During the year, the Company has sent letters seeking confirmation of balances as on 31.12.2013 to the borrowers and confirmation from all the borrowers have been received.

(ii) There are no unpaid / unclaimed bonds, interests on bonds and dividends, which are over 7 years as on 31.03.2014 (previous period ₹ Nil). However, an amount of ₹ 0.56 crore (previous year ₹ 0.56 crore) remaining unpaid pending completion of transfer formalities by the claimants.

23. The Capital Funds, Risk Weighted Assets and Capital Risk Adjusted Ratio (CRAR) of the Company are given hereunder:-

	Items	**As on 31.03.2014 FY 2013-14**	**As on 31.03.2013 FY 2012-13**
i)	Capital Fund - a. Tier I (₹ in crore)	25,641.72	22,163.36
	- b. Tier II (₹ in crore)	5,751.93	1,541.80
ii)	Risk weighted assets (₹ in crore)	1,56,154.40	1,34,412.85
iii)	CRAR	20.10%	17.64%
iv)	CRAR – Tier I Capital	16.42%	16.49%
v)	CRAR – Tier II Capital	3.68%	1.15%

24. The Company has no exposure to real estate sector as on 31.03.2014

25.	The Company does not have more than one reportable segment in terms of Accounting Standard 17 on Segment Reporting.
26.	Previous period's figures have been re-grouped / re-arranged, wherever practicable to make them comparable.
27.	Figures have been rounded off to the nearest crore of rupees with two decimals.

For and on behalf of the Board of Directors

(Manohar Balwani)
Company Secretary

(R Nagarajan)
Director (Finance)
DIN - 00701892

(M.K.Goel)
Director (Commercial) and
Chairman & Managing Director
DIN - 00239813

Signed in terms of our report of even date

For N. K. Bhargava & Co.
Chartered Accountants
Firm Regn. No.000429N

(N.K.Bhargava)
Partner
Membership No. 080624

For K. B. Chandna & Co.
Chartered Accountants
Firm's Regn. No. 000862N

(V.K.Gureja)
Partner
Membership No. 016521

Place: New Delhi
Date: 27.05.2014

Raj Har Gopal & Co.
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412, Ansal Bhawan,
16, K.G. Marg,
New Delhi – 110001
Ph no.011 41520698, 41520699
E-mail:rajhargopal1@hotmail.com

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New Delhi – 110091
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nkbhargavacompany@yahoo.co.in

INDEPENDENT AUDITORS' REPORT

To the Members of Power Finance Corporation Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Power Finance Corporation Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2013, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
(b) In the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
(c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Without qualifying our opinion, attention is drawn to the note no. 12 of Note part C- notes on accounts, regarding presentation of Foreign Currency Monetary Item Translation Difference Account (FCMITDA).

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by section 227(3) of the Act, we report that:

a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books ;
c. the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account ;
d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;

e. being a Government Company, pursuant to the Notification No. G.S.R.829 (E), dated 21.10.2003 issued by Department of Company Affairs, Government of India, the provisions of clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956, are not applicable to the Company.

For Raj Har Gopal & Co.
Chartered Accountants
Firm's Regn. No.: 002074N

For N.K.Bhargava & Co.
Chartered Accountants
Firm's Regn. No.: 000429N

G.K. Gupta
Partner
Membership no. 081085

N.K.Bhargava
Partner
Membership no.080624

Place: Delhi
Date: 30.05.2013

Annexure to Independent Auditor's Report

(Referred to Paragraph (1) under Report on Other Legal and Regulatory Requirements)

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of available information.

   (b) As explained to us, the management is carrying out the physical verification of fixed assets at the year end in a phased manner. In our opinion, the frequency of physical verification is reasonable having regard to the size of the Company and nature of its assets. As explained to us, no material discrepancies were noticed by the management on such physical verification.

   (c) The Company has not disposed off substantial parts of fixed assets during the year and has not affected the going concern status of the Company.

2. The main object of the company is to provide finance to power projects and does not involve carrying purchase/sale of goods and any inventories; hence clause (ii) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

3. As explained to us, the Company has not taken nor granted any loans, secured or unsecured to/from Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly clauses 4(iii) (a), (b), (c) and (d) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

4. Having regard to the nature of Company's business and based on our scrutiny of Company's records and the information and explanations received by us, we report that Company's activities do not include purchase of inventory and sale of goods. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business with regards to purchase of fixed assets and services rendered by the company. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls with regard to purchase of fixed assets and services rendered by the company.

5. Based on the audit procedures applied by us and the information and explanations provided by the management, we are of the opinion that there was no transaction during the year that need to be entered in the register maintained under Section 301 of the Companies Act, 1956.

6. The Company has not accepted any deposits from the public.

7. In our opinion and according to the informations and explanations given to us, the Company has an internal audit system commensurate with the size and nature of its business.

8. The Company is non-banking financial company, the provisions under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 pertaining to maintenance of cost records, does not apply.

9. In respect of statutory dues, on the basis of information and explanations given to us and on the basis of our examination of the records of the company, we report that:

   (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income tax, Wealth tax, etc. as applicable to it and there is no undisputed amounts payable in respect of aforesaid dues outstanding for a period of more than six months as on 31st March, 2013, as per the accounts of the company.

   (b) According to the records of the Company, there are no dues of Income tax / Wealth tax / Service tax, etc., which have not been deposited by the Company on account of any dispute, as per the accounts of the Company

10. The Company has no accumulated losses and has not incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.

11. Based on our audit procedures and according to the information and explanations given to us, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.

12. The Company has generally maintained adequate documents and records in respect of loans granted by it to various State Electricity Boards, State Generation Corporations, State Governments, CPSUs and Independent Power Producers.

13. The Company is neither a chit fund nor a nidhi / mutual benefit fund / society. Hence, the requirements of clause 4(xiii) of the 'Order' do not apply to the Company.

14. As per records of the Company and according to the information and explanations provided by the management, the Company has been maintaining proper and timely records of the transactions and contracts for the dealings or trading in shares, securities, debentures and other investments. As per information and explanations provided we state that, all the Investments have been held by the Company in its own name.

15. The Company has given guarantees in connection with loans taken by others from banks or financial institutions. According to information & explanations given to us we are of

the opinion that, the terms and conditions on the guarantee given are not prima-facie prejudicial to the interest of the Company.

16. According to the information and explanations given to us, the term loans taken by the Company have been utilized for the purpose for which they were raised.

17. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that no funds raised on short-term basis have been used for long-term investment by the Company.

18. According to the records of the Company and the information and explanations given to us, the Company has not made any preferential allotment of shares, to parties and Companies covered in the Register maintained under Section 301 of the Companies Act, 1956. Therefore the provisions of clause 4(xviii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

19. According to the information and explanations given to us, the company has created securities/charges in respect of secured bonds issued. However, security creation in respect of Tax free bonds (Tranche-II) of ₹ 165.37 crores is under progress.

20. According to the information and explanations given to us, the company has disclosed the end use of the money raised in Public issue of Tax free Bonds (Tranche-I) and the same has been verified and found to be correct. However, money raised in Public issue of Tax free Bonds (Tranche-II) have not been utilized and are lying in the public issue account of Tax free bonds with the Escrow collection bank.

21. To the best of our knowledge and according to the information and explanation given to us no fraud on or by the Company has been noticed or reported during the course of our audit.

For **Raj Har Gopal & Co.**
Chartered Accountants
Firm's Regn. No. : 002074N

G.K.Gupta
Partner
Membership No.: 081085

For **N.K.Bhargava & Co.**
Chartered Accountants
Firm's Regn. No. : 000429N

N.K.Bhargava
Partner
Membership No.: 080624

Place : Delhi
Date: 30.05.2013

POWER FINANCE CORPORATION LIMITED
BALANCE SHEET AS AT 31ST MARCH, 2013

(₹ in crore)

	Description	Note Part A		As at 31.03.2013		As at 31.03.2012
A	**EQUITY AND LIABILITIES**					
	(1) Shareholders' Funds					
	(i) Share Capital	1	**1,320.02**		1,319.93	
	(ii) Reserves & Surplus	2	**22,734.10**	**24,054.12**	19,387.59	20,707.52
	(2) Non-Current Liabilities					
	(i) Long Term Borrowing	3				
	Secured		**6,636.67**		5,361.55	
	Un-secured		**1,14,514.19**	**1,21,150.86**	90,505.43	95,866.98
	(ii) Deferred Tax Liabilities (Net) (Refer Note No. 14 of Part-C - Other Notes on Accounts)			**219.79**		87.43
	(iii) Other Long Term Liabilities	4		**539.80**		550.64
	(iv) Long Term Provisions	5		**162.33**		41.98
	(3) Current Liabilities					
	(i) Current Maturity of Long term Borrowing (Unsecured)	3	**9,612.08**		10,187.73	
	(ii) Short -Term Borrowing	3				
	Secured		**860.55**		294.47	
	Un-secured		**7,959.22**		3,776.73	
	(iii) Other Current Liabilities	4	**5,063.82**		3,799.68	
	(iv) Short Term Provisions	5	**193.99**	**23,689.66**	261.90	18,320.51
	Total			**1,69,816.56**		**1,35,575.06**
B	**ASSETS**					
	(1) Non-Current Assets					
	(i) Fixed Assets	6				
	Tangible Assets		**101.39**		98.88	
	Less: Accumulated Depreciation		**30.83**	**70.56**	27.13	71.75
	Intangible Assets		**7.87**		6.86	
	Less: Accumulated Amortization		**4.09**	**3.78**	2.60	4.26
	Capital Works in Progress			**0.00**		0.45
	(ii) Non Current Investments	7				
	Trade		**12.00**		12.00	
	Others		**175.18**	**187.18**	43.34	55.34
	(iii) Long Term Loans	8				
	Secured		**1,07,157.80**		73,480.17	
	Un-Secured		**35,336.84**	**1,42,494.64**	38,536.75	1,12,016.92
	(iv) Other Non Current Assets	9		**376.07**		133.52
	(v) Foreign Currency Monetary Item Translation Difference A/c (Refer Note No. 12 of Part-C - Other Notes on Accounts)			**477.97**		515.41
	(2) Current Assets					
	(i) Current Investments	10	**3.83**		3.83	
	(ii) Cash and Bank Balances	11	**4,753.81**		1,988.20	
	(iii) Current Maturity of Long Term Loans	8				
	Secured		**12,318.01**		9,411.32	
	Un-Secured		**3,137.84**		2,465.71	
	(iv) Short Term Loans	8				
	Secured		**1,000.00**		2,267.02	
	Un-Secured		**1,416.11**		3,910.85	
	(v) Other Current Assets	9	**3,576.76**	**26,206.36**	2,730.48	22,777.41
	Total			**1,69,816.56**		**1,35,575.06**

SIGNIFICANT ACCOUNTING POLICIES — **Part B**
OTHER NOTES ON ACCOUNTS — **Part C**
Notes from part A to part C form integral part of Accounts.

For and on behalf of the Board of Directors

MANOHAR BALWANI	**R NAGARAJAN**	**SATNAM SINGH**
Company Secretary	Director (Finance)	Chairman and Managing Director

Signed in terms of our report of even date

	For N K Bhargava & Co.	For RAJ HAR GOPAL & Co.
	Chartered Accountants	Chartered Accountants
	Firm Regd. No - 000429N	Firm Regd. No - 002074N
	(N K BHARGAVA)	**(G K GUPTA)**
Place : New Delhi	PARTNER	PARTNER
Date : 30.05.2013	**Membership No - 080624**	**Membership No - 81085**

POWER FINANCE CORPORATION LIMITED
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2013

(₹ in crore)

	Description	Note Part A		Year ended 31.03.2013		Year ended 31.03.2012
I.	**Revenue from Operations**					
	Interest	12	**17,243.75**		12,975.70	
	Other Financial Services	12	**16.52**	**17,260.27**	39.15	13,014.85
II.	**Other Income**					
	Other Income	13		**12.28**		22.26
III	**Total Revenue (I + II)**			**17,272.55**		**13,037.11**
IV.	**EXPENSES**					
	Interest, Finance and Other Charges	14		**10,991.08**		8,464.66
	Bond Issue Expenses	15		**97.33**		196.89
	Employee Benefit Expenses	16		**80.94**		72.08
	Provision for contingencies			**80.85**		142.79
	Provision for decline in value of investments			**(0.003)**		(0.02)
	Depreciation and Amortization expenses	6		**5.70**		5.42
	Other Expenses	17		**58.42**		51.87
	Prior Period Items (Net)	18		**(8.81)**		(0.83)
	Total Expenses			**11,305.51**		**8,932.86**
V.	**Profit before exceptional and extraordinary items and tax (III-IV)**			**5,967.04**		**4,104.25**
VI.	Exceptional Items			**0.00**		0.00
VII.	**Profit before extraordinary items and tax (V-VI)**			**5,967.04**		**4,104.25**
VIII.	Extraordinary Items			**0.00**		0.00
IX.	**Profit Before Tax (VII-VIII)**			**5,967.04**		**4,104.25**
X.	**Tax Expenses**					
	(1) Current Tax					
	for current year		**1,543.57**		1,070.87	
	for earlier years		**(128.49)**	**1,415.08**	(2.82)	1,068.05
	(2) Deferred Tax liability(+) / Asset(-)			**132.36**		4.46
XI.	**Profit (Loss) for the year from continuing operations (IX-X)**			**4,419.60**		**3,031.74**
XII.	**Earnings per equity share of ₹10/- each (Refer Note No. 15 of Part-C - Other Notes on Accounts)**					
	(1) Basic (₹)			**33.48**		**23.41**
	(2) Diluted (₹)			**33.48**		**23.41**
	SIGNIFICANT ACCOUNTING POLICIES	**Part B**				
	OTHER NOTES ON ACCOUNTS	**Part C**				

Notes from part A to part C form integral part of Accounts.

For and on behalf of the Board of Directors

MANOHAR BALWANI	**R NAGARAJAN**	**SATNAM SINGH**
Company Secretary	Director (Finance)	Chairman and Managing Director

Signed in terms of our report of even date

	For N K Bhargava & Co.	For RAJ HAR GOPAL & Co.
	Chartered Accountants	Chartered Accountants
	Firm Regd. No - 000429N	Firm Regd. No - 002074N
	(N K BHARGAVA)	**(G K GUPTA)**
Place : New Delhi	PARTNER	PARTNER
Date : 30.05.2013	**Membership No - 080624**	**Membership No - 81085**

POWER FINANCE CORPORATION LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2013

(₹ in crore)

PARTICULARS		Year ended 31.03.2013		Year ended 31.03.2012
I. Cash Flow from Operating Activities :-				
Net Profit before Tax and Extraordinary items	**5,967.04**		**4,104.25**	
ADD: Adjustments for				
Loss on Sale of Assets (net)	**0.03**		0.02	
Depreciation / Amortization	**5.70**		5.42	
Amortization of Zero Coupon Bonds	**26.18**		24.48	
Foreign Exchange Translation Loss	**163.76**		147.83	
Diminution in value of investments	**(0.00)**		(0.02)	
Provision for Contingencies	**80.85**		142.79	
Dividend / Interest and profit on sale of investment	**(8.29)**		(2.89)	
Provision for CSR Expenditure & Sustainable Expenditure	**16.30**		0.00	
Provision for interest under IT Act	**4.07**		4.90	
Provision for Retirement Benefits / Other Welfare Expenses / Wage revision	**11.63**		3.10	
Operating profit before working Capital Changes:	**6,267.27**		**4,429.88**	
Increase/Decrease :				
Loans Disbursed (Net)	**(30,256.10)**		(30,587.60)	
Other Current Assets	**(1,028.13)**		(692.00)	
Foreign Currency Monetary Item Translation Difference A/c	**37.44**		(515.41)	
Liabilities and provisions	**1,438.89**		972.69	
Cash flow before extraordinary items	**(23,540.63)**		**(26,392.44)**	
Extraordinary items	**0.00**		0.00	
Cash Inflow/Outflow from operations before Tax	**(23,540.63)**		**(26,392.44)**	
Income Tax paid	**(1,554.02)**		(992.68)	
Income Tax Refund	**5.56**		388.21	
Net Cash flow from Operating Activities		**(25,089.09)**		**(26,996.91)**
II. Cash Flow From Investing Activities :				
Sale / decrease of Fixed Assets	**0.05**		0.12	
Purchase of Fixed Assets	**(4.13)**		(7.14)	
Increase/decrease in Capital Works in Progress	**0.45**		1.83	
Investments in Subsidiaries	**(105.05)**		(5.12)	
Dividend / Interest and profit on sale of investment	**8.29**		2.89	
Other Investments	**7.22**		(34.15)	
Net Cash Used in Investing Activities		**(93.17)**		**(41.57)**
III. Cash Flow From Financial Activities :				
Issue of Equity Shares	**1.60**		3,413.73	
Issue of Bonds	**31,142.02**		33,165.07	
Raising of Short Term Loans (Net) - Commercial paper	**5,000.00**		(4,050.00)	
Repayment of Loan Against Fixed Deposits (Net) - Including WCL	**(251.43)**		1,830.16	
Raising of Long Term Loans	**1,700.00**		2,200.00	
Repayment of Long Term Loans	**(1,239.50)**		(3,863.50)	
Redemption of Bonds	**(9,753.90)**		(5,406.66)	
Raising of Foreign Currency Loans (Net)	**2,653.46**		461.46	
Interest Subsidy Fund	**(230.43)**		(75.66)	
Unclaimed Bonds (Net)	**(0.56)**		(1.25)	
Payment of Final Dividend (including Corporate Dividend Tax) of Previous year	**(153.41)**		(230.11)	

Payment of Interim Dividend (including Corporate Dividend Tax) of Current year	**(920.49)**		(767.03)	
Net Cash in-flow from Financing Activities		**27,947.36**		**26,676.21**
Net Increase/Decrease in Cash & Cash Equivalents		**2,765.10**		**(362.27)**
Add : Cash & Cash Equivalents at beginning of the financial year		**1,983.97**		2,346.24
Cash & Cash Equivalents at the end of the period		**4,749.07**		**1,983.97**
Details of Cash & Cash Equivalents at the end of the period:				
Cheques in hand, Imprest with Postal authority & Balances with Banks		**169.49**		19.76
Fixed Deposits with Scheduled Banks		**4,579.58**		1,964.21
		4,749.07		**1,983.97**

For and on behalf of the Board of Directors

MANOHAR BALWANI	R NAGARAJAN	SATNAM SINGH
Company Secretary	Director (Finance)	Chairman and Managing Director

Signed in terms of our report of even date

	For N K Bhargava & Co.	For RAJ HAR GOPAL & Co.
	Chartered Accountants	Chartered Accountants
	Firm Regd. No - 000429N	Firm Regd. No - 002074N
	(N K BHARGAVA)	**(G K GUPTA)**
Place : New Delhi	PARTNER	PARTNER
Date : 30.05.2013	**Membership No - 080624**	**Membership No - 81085**

NOTE - Part A - 1
SHARE CAPITAL

(₹ in crore)

	Description	As at 31.03.2013	As at 31.03.2012
A	**Authorized :**		
	200,00,00,000 Equity shares of ₹10/- each (Previous year 200,00,00,000 equity shares of ₹10/- each)	**2,000.00**	2,000.00
		2,000.00	2,000.00
B	**Issued, subscribed and paid up :**		
	131,99,31,705 Equity shares of ₹10/- each fully paid-up (Previous year 114,77,66,700 equity shares of ₹10/- each fully paid up)	**1,319.93**	1,147.77
	Add: 83,306 Equity shares of ₹10/- each fully paid-up (previous year 17,21,65,005 equity shares of ₹10/- each fully paid-up)	**0.09**	172.16
	Total	**1,320.02**	1,319.93

Notes:-

1. Information on Shares in the company held by each shareholder holding more than 5 percent of paid -up equity share capital :

Name of Holders		31.03.2013	31.03.2012
President of India	% of Share Holding	**73.72**	73.72
	No. of Shares Held	**973,061,665**	973,061,665
	Amount (₹ in crore)	**973.06**	973.06
Life Insurance Corporation of India	% of Share Holding	**5.77**	5.83
	No. of Shares Held	**76,164,471**	76,890,731
	Amount (₹ in crore)	**76.16**	76.89

2. Under the Company stock option plan titled as PFC - ESOP 2010, the Remuneration Committee in their meeting held on 23rd December, 2011 had given its approval for FY 2009-10 for grant of 88,040 options, effective from 29th July 2011 and in their meeting held on 30th April 2012 had given its approval for FY 2010-11 for the grant of 92,964 options effective from 30th April 2012 to regular employees of the Company through PFC Employees Welfare Trust, at a price of ₹ 176.05/- per option for FY 2009-10 and ₹ 160.75/- per option for FY 2010-11, exclusive of the face value of ₹ 10/- per share, convertible into equivalent number of equity shares of ₹ 10/- each on payment of ₹ 10 per share.

   Out of 88,040 options, 87,888 options has been granted for FY 2009-10, the Company has allotted 83,306 equity shares during the current year upon exercising the stock option under the scheme. For FY 2010-11, out of 92,964 options granted, 69,954 options have been settled in cash and 1,572 options have been cancelled.

NOTE - Part A - 2
RESERVES & SURPLUS

(₹ in crore)

	Description		As at 31.03.2013		As at 31.03.2012
(A)	**Securities Premium Reserve**				
	Opening balance	**4,092.67**		851.10	
	Add : Addition during the year	**1.51**		3,261.48	
	Less: Issue Expenses (FPO)	**(0.32)**	**4,094.50**	19.91	4,092.67
(B)	**Debenture Redemption Reserve**				
	Opening balance	**55.79**		0.06	
	Add : Transfer from Profit and Loss Appropriation (Refer Note No. 5 of Part-C - Other Notes on Accounts)	**219.06**	**274.85**	55.73	55.79
(C)	**Others**				
(i)	**Reserve for Bad & doubtful debts u/s 36(1)(viia)(c) of Income-Tax Act,1961**				
	Opening balance	**1,158.61**		984.88	
	Add : Transfer from Profit and Loss Appropriation	**250.40**	**1,409.01**	173.73	1,158.61
(ii)	**Special Reserve created u/s 36(1)(viii) of Income Tax Act, 1961 upto Financial Year 1996-97**		**599.85**		599.85
(iii)	**Special Reserve created and maintained u/s 36(1)(viii) of Income Tax Act, 1961 from Financial Year 1997-98**				
	Opening balance	**5,982.06**		5,204.32	
	Add : Transfer from Profit and Loss Appropriation	**1,155.90**		776.20	
	Add : Transfer from General Reserve	**1.91**		3.57	
	Less : Transfer to Profit and Loss Appropriation (Balance Sheet head)	**0.00**	**7,139.87**	2.03	5,982.06
(iv)	**CSR Reserve**				
	Opening balance	**0.00**		0.00	
	Add : Transfer from Profit and Loss Appropriation (Refer Note No. 21.2 of Part-C - Other Notes on Accounts)	**18.36**	**18.36**	0.00	0.00

(v) **Sustainable Development Reserve**				
Opening balance	**0.00**		0.00	
Add : Transfer from Profit and Loss Appropriation (Refer Note No. 21.3 of Part-C - Other Notes on Accounts)	**0.49**	**0.49**	0.00	0.00
(vi) **General Reserve**				
Opening balance	**2,594.40**		2,293.97	
Add : Transfer from Profit and Loss Appropriation	**442.00**		304.00	
Less: Transferred to Special Reserve	**1.91**	**3,034.49**	3.57	2,594.40
(D) **Surplus**				
Opening balance	**4,904.21**		4,100.54	
Add : Transfers from Special Reserve under Income Tax Act, 1961	**0.00**		2.03	
Add : Surplus retained from the Profit and Loss Appropriation for the year	**1,258.47**	**6,162.68**	801.64	4904.21
		22,734.10		**19,387.59**
Note : **Profit and Loss Appropriation**				
Profit after tax for the year		**4,419.60**		**3,031.74**
Less : CSR Reserves				
Transfer to CSR Reserve (relating to earlier years)	**16.39**		0.00	
Transfer from CSR Reserve (relating to earlier years)	**9.30**		0.00	
Transfer to CSR Reserves (relating to current year)	**11.27**	**18.36**	0.00	**0.00**
Less: Sustainable Development (SD) Reserve				
Transfer to SD Reserves	**0.49**	**0.49**	0.00	**0.00**
Less : Transfer to Reserves				
Transfer towards Reserve for Bad & Doubtful Debts u/s 36(1)(viia)(c) of Income Tax Act, 1961	**250.40**		173.73	
Transfer to Special Reserve created and maintained u/s 36(1)(viii) of Income Tax Act, 1961	**1,155.90**		776.20	
Debenture Redemption Reserve	**219.06**		55.73	
General Reserve	**442.00**	**2,067.36**	304.00	**1,309.66**
Less : Dividend & Corporate Dividend Tax				
Interim Dividend	**792.01**		659.97	
Proposed Final Dividend	**132.00**		132.00	
Corporate Dividend Tax on Interim Dividend	**128.48**		107.06	
Proposed Corporate Dividend Tax	**22.43**	**1,074.92**	21.41	**920.44**
Total		**1,258.47**		**801.64**

NOTE - Part A - 3
BORROWING

(₹ in crore)

Description	As at 31.03.2013 Current	Non-Current	Total	As at 31.03.2012 Current	Non-Current	Total
A. Long Term Borrowing						
I. Secured						
Bonds						
Infrastructure Bonds (Refer note no. from 1 to 12)	**0.00**	**361.55**	**361.55**	0.00	361.55	361.55
Tax Free Bonds (Refer note no. from 13 to 30)	**0.00**	**6,275.12**	**6,275.12**	0.00	5,000.00	5,000.00
Sub Total (I)	**0.00**	**6,636.67**	**6,636.67**	**0.00**	**5,361.55**	**5,361.55**
II. Unsecured						
a) Bonds						
Other Bonds / Debentures (Refer Note No. 31 and 32)	**3,262.90**	**95,434.62**	**98,697.52**	9,753.90	68,804.44	78,558.34
Foreign Currency Notes (Refer Note No. 34)	**0.00**	**986.40**	**986.40**	0.00	927.54	927.54
	3,262.90	**96,421.02**	**99,683.92**	**9,753.90**	**69,731.98**	**79,485.88**
b) Foreign Currency Loans						
Foreign Currency Loans from Foreign banks / Financial Institutions (Guaranteed by the Govt. of India)	**19.98**	**251.49**	**271.47**	17.71	262.03	279.74
Syndicated Foreign Currency Loans from banks / Financial Institutions	**0.00**	**6,946.68**	**6,946.68**	0.00	4,176.92	4,176.92
Foreign Currency Loans (FCNR(B) from banks)	**219.20**	**0.00**	**219.20**	206.12	0.00	206.12
	239.18	**7,198.17**	**7,437.35**	**223.83**	**4,438.95**	**4,662.78**
c) Rupee Term Loans						
Rupee Term Loans (From Banks)	**4,480.00**	**10,895.00**	**15,375.00**	210.00	14,704.50	14,914.50
Rupee Term Loans (From Financial Institutions)	**1,630.00**	**0.00**	**1,630.00**	0.00	1,630.00	1,630.00
	6,110.00	**10,895.00**	**17,005.00**	**210.00**	**16,334.50**	**16,544.50**
Sub Total (II)	**9,612.08**	**1,14,514.19**	**1,24,126.27**	**10,187.73**	**90,505.43**	**1,00,693.16**
B. Short Term Borrowing						
Rupee Term Loans						
I. Secured						
Loan against FD	**860.55**	**0.00**	**860.55**	294.47	0.00	294.47
Sub Total (I)	**860.55**	**0.00**	**860.55**	**294.47**	**0.00**	**294.47**
II. Unsecured						
Commercial Paper	**5,000.00**	**0.00**	**5,000.00**	0.00	0.00	0.00
Working Capital Demand Loan / OD / CC / Line of Credit	**2,959.22**	**0.00**	**2,959.22**	3,776.73	0.00	3,776.73
Sub Total (II)	**7,959.22**	**0.00**	**7,959.22**	**3,776.73**	**0.00**	**3,776.73**
Total (A) + (B)	**18,431.85**	**1,21,150.86**	**1,39,582.71**	**14,258.93**	**95,866.98**	**1,10,125.91**

Notes:-

The details of Infrastructre Bonds outstanding as at 31.03.2013 are as follows:

	Bond Series	Date of allotment	Rate of Interest p.a.	Amount (₹in crore)	Date of Redemption	Redemption details	Nature of Security
1	Infrastructure Bonds (2011-12) Series-III	21.11.2011	8.75%	3.23	22-Nov-18	On exercise of put option by the bondholders, redeemable at par, on a date, falling seven years and one day from the date of allotment; otherwise, redeemable at par on a date falling fifteen years from the date of allotment.	Secured by first pari-passu charge on total receivables of the Company (excluding those receivables on which specific charge already created) along with first pari- passu charge on immovable property situated at Guindy, Chennai.
2	Infrastructure Bonds (2011-12) Series - IV	21.11.2011	8.75%	8.83	22-Nov-18	On exercise of put option by the bondholders, redeemable at par with cumulative interest compounded annually, on a date, falling seven years and one day from the date of allotment; otherwise, redeemable at par with cumulative interest compounded annually, on a date falling fifteen years from the date of allotment.	
3	Infrastructure Bonds (2010-11) Series-3	31.03.2011	8.50%	6.13	1-Apr-18	On exercise of put option by the bondholders, redeemable at par, on a date, falling seven years and one day from the date of allotment; otherwise, redeemable at par on a date falling fifteen years from the date of allotment.	Secured by charge on specific book debt of ₹4,539.03 crore as on 31.03.2013 of the Company along with first charge on immovable property situated at Jangpura, New Delhi.
4	Infrastructure Bonds (2010-11) Series-4	31.03.2011	8.50%	22.75	1-Apr-18	On exercise of put option by the bondholders, redeemable at par with cumulative interest compounded annually, on a date, falling seven years and one day from the date of allotment; otherwise, redeemable at par with cumulative interest compounded annually, on a date falling fifteen years from the date of allotment.	
5	Infrastructure Bonds 86 C Series	30.03.2012	8.72%	0.95	31-Mar-18	On exercise of put option by the bondholders, redeemable at par, on a date, falling six years and one day from the date of allotment; otherwise, redeemable at par on a date falling fifteen years from the date of allotment.	Secured by first pari-passu charge of present and future receivables (excluding those receivables which are specifically charged for infra bond issue during the FY 2010-11) along with first pari passu charge on immovable property situated at Guindy, Chennai.
6	Infrastructure Bonds 86 D Series	30.03.2012	8.72%	2.75	31-Mar-18	On exercise of put option by the bondholders, redeemable at par with cumulative interest compounded annually, on a date, falling six years and one day from the date of allotment; otherwise, redeemable at par with cumulative interest compounded annually, on a date falling fifteen years from the date of allotment.	
7	Infrastructure Bonds 86 A Series	30.03.2012	8.43%	9.04	31-Mar-17	On exercise of put option by the bondholders, redeemable at par, on a date, falling five years and one day from the date of allotment; otherwise, redeemable at par on a date falling ten years from the date of allotment.	Secured by first pari-passu charge of present and future receivables (excluding those receivables which are specifically charged for infra bond issue during the FY 2010-11) along with first pari passu charge on immovable property situated at Guindy, Chennai.
8	Infrastructure Bonds 86 B Series	30.03.2012	8.43%	17.81	31-Mar-17	On exercise of put option by the bondholders, redeemable at par with cumulative interest compounded annually, on a date, falling five years and one day from the date of allotment; otherwise, redeemable at par with cumulative interest compounded annually, on a date falling ten years from the date of allotment.	

	Bond Series	Date of allotment	Rate of Interest p.a.	Amount (₹in crore)	Date of Redemption	Redemption details	Nature of Security
9	Infrastructure Bonds (2011-12) Series-I	21.11.2011	8.50%	32.43	22-Nov-16	On exercise of put option by the bondholders, redeemable at par, on a date, falling five years and one day from the date of allotment; otherwise, redeemable at par on a date falling ten years from the date of allotment.	Secured by first pari-passu charge on total receivables of the Company (excluding those receivables on which specific charge already created) along with first pari- passu charge on immovable property situated at Guindy, Chennai.
10	Infrastructure Bonds (2011-12) Series-II	21.11.2011	8.50%	51.15	22-Nov-16	On exercise of put option by the bondholders, redeemable at par with cumulative interest compounded annually, on a date, falling five years and one day from the date of allotment; otherwise, redeemable at par with cumulative interest compounded annually, on a date falling ten years from the date of allotment.	
11	Infrastructure Bonds (2010-11) Series-1	31.03.2011	8.30%	66.80	1-Apr-16	On exercise of put option by the bondholders, redeemable at par, on a date, falling five years and one day from the date of allotment; otherwise, redeemable at par on a date falling ten years from the date of allotment.	Secured by charge on specific book debt of ₹4,539.03 crore as on 31.03.2013 of the Company along with first charge on immovable property situated at Jangpura, New Delhi.
12	Infrastructure Bonds (2010-11) Series-2	31.03.2011	8.30%	139.68	1-Apr-16	On exercise of put option by the bondholders, redeemable at par with cumulative interest compounded annually, on a date, falling five years and one day from the date of allotment; otherwise, redeemable at par with cumulative interest compounded annually, on a date falling ten years from the date of allotment.	

The details of Tax Free Bonds outstanding as at 31.03.2013 are as follows:

	Bond Series	Date of allotment	Rate of Interest p.a.	Amount (₹ in crore)	Date of Redemption	Nature of Security
13	Tax Free Bonds (2012-13) tranche - II - Series II	28-03-2013	7.04%	1.93	28-Mar-28	Secured by first pari-passu charge on total receivables of the Company (excluding those receivables on which specific charge already created)
14	Tax Free Bonds (2012-13) tranche - II - Series II	28-03-2013	7.54%	67.28	28-Mar-28	
15	Tax Free Bonds (2012-13) tranche - I - Series II	04-01-2013	7.36%	126.96	4-Jan-28	Secured by first pari-passu charge on total receivables of the Company (excluding those receivables on which specific charge already created) along with first pari- passu charge on immovable property situated at Guindy, Chennai.
16	Tax Free Bonds (2012-13) tranche - I - Series II	04-01-2013	7.86%	230.04	4-Jan-28	
17	TAX FREE BONDS SERIES 95 B	29-11-2012	7.38%	100.00	29-Nov-27	First pari passu charge on the Immovable Property situated at Chennai. All present and future receivables/ loan assets of the Company, together with the underlying security, excluding the receivables on which specific charge has already been created by the Company.
18	TAX FREE BOND SERIES 94 B	22-11-2012	7.38%	25.00	22-Nov-27	
19	Tax Free Bonds (2011-12) tranche -I - Series II	01.02.2012	8.30%	1280.58	1-Feb-27	Secured by first pari-passu charge on total receivables of the Company (excluding those receivables on which specific charge already created) along with first pari- passu charge on immovable property situated at Guindy, Chennai.
20	Tax Free Bonds Series 80 B	25.11.2011	8.16%	209.34	25-Nov-26	Secured by first pari-passu charge of present and future receivables (excluding those receivables which are specifically charged for infra bond issue during the FY 2010-11) along with first pari passu charge on immovable property situated at Guindy, Chennai.
21	Tax Free Bonds Series 79 B	15.10.2011	7.75%	217.99	15-Oct-26	
22	Tax Free Bonds (2012-13) tranche - II - Series I	28-03-2013	6.88%	46.92	28-Mar-23	Secured by first pari-passu charge on total receivables of the Company (excluding those receivables on which specific charge already created)
23	Tax Free Bonds (2012-13) tranche - II - Series I	28-03-2013	7.38%	49.24	28-Mar-23	
24	Tax Free Bonds (2012-13) tranche - I - Series I	04-01-2013	7.19%	173.27	4-Jan-23	Secured by first pari-passu charge on total receivables of the Company (excluding those receivables on which specific charge already created) along with first pari- passu charge on immovable property situated at Guindy, Chennai.
25	Tax Free Bonds (2012-13) tranche - I - Series I	04-01-2013	7.69%	169.48	4-Jan-23	
26	TAX FREE BONDS SERIES 95 A	29-11-2012	7.22%	30.00	29-Nov-22	First pari passu charge on the Immovable Property situated at Chennai. All present and future receivables/ loan assets of the Company, together with the underlying security, excluding the receivables on which specific charge has already been created by the Company.
27	TAX FREE BOND SERIES 94 A	22-11-2012	7.21%	255.00	22-Nov-22	
28	Tax Free Bonds (2011-12) tranche -I - Series I	01.02.2012	8.20%	2,752.55	1-Feb-22	Secured by first pari-passu charge on total receivables of the Company (excluding those receivables on which specific charge already created) along with first pari- passu charge on immovable property situated at Guindy, Chennai.
29	Tax Free Bonds Series 80 A	25.11.2011	8.09%	334.31	25-Nov-21	Secured by first pari-passu charge of present and future receivables (excluding those receivables which are specifically charged for infra bond issue during the FY 2010-11) along with first pari passu charge on immovable property situated at Guindy, Chennai.
30	Tax Free Bonds Series 79 A	15.10.2011	7.51%	205.23	15-Oct-21	
31	Zero Coupon unsecured Taxable Bonds 2022-XIX Series of ₹ 351.22 crore (previous year ₹ 325.04 crore) are redeemable at face value of ₹ 750.00 crore on 30.12.2022 [net of Unamortized Interest of ₹ 398.78 crore (previous year ₹ 424.96 crore)].					
32	The details of unsecured Taxable (Non cumulative) Bonds are as follows :					

	Bond Series	Coupon Rate	Date of Redemption	Amount (₹in crore)
1	71 - C Series	9.05%	15-Dec-30	192.70
2	66 - C Series	8.85%	15-Jun-30	633.00
3	103 Series	8.94%	25-Mar-28	2,807.00
4	102 - A (III) Series	8.90%	18-Mar-28	403.00
5	101 - B Series	9.00%	11-Mar-28	1,370.00
6	77- B Series	9.45%	1-Sep-26	2,568.00
7	76 - B Series	9.46%	1-Aug-26	1,105.00
8	71 - B Series	9.05%	15-Dec-25	192.70

	Bond Series	Coupon Rate	Date of Redemption	Amount (₹in crore)
9	66 - B Series	8.75%	15-Jun-25	832.00
10	66 - B Series	3 year INCMTBMK + 84.25 bps	15-Jun-25	700.00
11	65 - Series	8.70%	14-May-25	1,087.50
12	65 - Series	1 year INCMTBMK + 63.5 bps	14-May-25	250.00
13	64 - Series	8.95%	30-Mar-25	492.00
14	63 - Series	8.90%	15-Mar-25	184.00
15	62 - B Series	8.80%	15-Jan-25	1,172.60
16	61 - Series	8.50%	15-Dec-24	351.00
17	57 - B Series	8.60%	7-Aug-24	866.50
18	85 - D Series	9.26%	15-Apr-23	736.00
19	102 - A(II) Series	8.90%	18-Mar-23	403.00
20	102 - B Series	8.87%	18-Mar-23	70.00
21	100 - B Series	8.84%	4-Mar-23	1,310.00
22	92 - C Series	9.29%	21-Aug-22	640.00
23	91- B Series	9.39%	29-Jun-22	2,695.20
24	88- C Series	9.48%	15-Apr-22	184.70
25	78- B Series	9.44%	23-Sep-21	1,180.00
26	76- A Series	9.36%	1-Aug-21	2,589.40
27	75- C Series	9.61%	29-Jun-21	2,084.70
28	74 Series	9.70%	9-Jun-21	1,693.20
29	XXVIII Series	8.85%	31-May-21	600.00
30	73 Series	9.18%	15-Apr-21	1,000.00
31	72 - B Series	8.99%	15-Jan-21	1,219.00
32	71 - A Series	9.05%	15-Dec-20	192.70
33	70 Series	8.78%	15-Nov-20	1,549.00
34	68 - B Series	8.70%	15-Jul-20	1,424.00
35	66 - A Series	3 year INCMTBMK + 87.50 bps	15-Jun-20	500.00
36	65 - Series	8.70%	14-May-20	162.50
37	65 - Series	1 year INCMTBMK + 98 bps	14-May-20	1,175.00
38	85 - C Series	9.30%	15-Apr-20	79.50
39	64 - Series	8.95%	30-Mar-20	492.00
40	87 - D Series	9.42%	20-Mar-20	650.80
41	63 - Series	8.90%	15-Mar-20	184.00
42	100 - A Series	8.86%	4-Mar-20	54.30
43	99 - B Series	8.82%	20-Feb-20	733.00
44	62 - A Series	8.70%	15-Jan-20	845.40
45	61 - Series	8.50%	15-Dec-19	351.00
46	60 - B Series	1 year INCMTBMK + 179 bps	20-Nov-19	925.00
47	59 - B Series	8.80%	15-Oct-19	1,216.60
48	57 - B Series	8.60%	7-Aug-19	866.50
49	90 - B Series	9.41%	1-Jun-19	391.00
50	98 (III) Series	8.72%	8-Feb-19	324.00
51	82- C Series	9.70%	15-Dec-18	2,060.00
52	52 - C Series	11.25%	28-Nov-18	1,950.60
53	51 - C Series	11.00%	15-Sep-18	3,024.40
54	XLIX - B Series	10.85%	11-Aug-18	428.60
55	XLVIII - C Series	10.55%	15-Jul-18	259.70
56	XLVII - C Series	9.68%	9-Jun-18	780.70
57	102 - A(I) Series	8.90%	18-Mar-18	403.00
58	101 - A Series	8.95%	11-Mar-18	3,201.00
59	99 - A Series	8.77%	20-Feb-18	2.00
60	98 (II) Series	8.72%	8-Feb-18	324.00
61	72 - A Series	8.97%	15-Jan-18	144.00
62	97 Series	8.75%	15-Jan-18	1,000.00
63	XL - C Series	9.28%	28-Dec-17	650.00
64	XVIII Series	7.87%	13-Nov-17	25.00
65	93 - B Series	8.91%	15-Oct-17	950.00
66	XVII Series	8.21%	3-Oct-17	25.00
67	92 - A Series	9.01%	21-Aug-17	1,530.00
68	92 - B Series	9.27%	21-Aug-17	1,930.00

	Bond Series	Coupon Rate	Date of Redemption	Amount (₹in crore)
69	91 - A Series	9.40%	29-Jun-17	107.50
70	90 - A Series	9.61%	1-Jun-17	552.90
71	XIII Series	9.60%	24-May-17	65.00
72	XXXV Series	9.96%	18-May-17	530.00
73	XIII Series	9.60%	16-May-17	125.00
74	89 - A Series	9.52%	2-May-17	2,595.00
75	88- B Series	9.66%	15-Apr-17	100.20
76	XXXIV Series	9.90%	30-Mar-17	500.50
77	88 - A Series	9.61%	28-Mar-17	284.00
78	XXXIII - B Series	9.90%	22-Mar-17	561.50
79	87 - C Series	9.59%	20-Mar-17	217.50
80	87- A Series	9.62%	20-Mar-17	1,267.00
81	87 - B Series	9.72%	20-Mar-17	23.00
82	84 Series	9.33%	17-Feb-17	1,521.20
83	98 (I) Series	8.72%	8-Feb-17	324.00
84	82 - B Series	9.64%	15-Dec-16	825.00
85	XXXI - A Series	8.78%	11-Dec-16	1,451.20
86	81 Series	9.49%	29-Nov-16	1,138.00
87	XVIII Series	7.87%	13-Nov-16	25.00
88	XVII Series	8.21%	3-Oct-16	25.00
89	XXIX - A Series	8.80%	7-Sep-16	250.00
90	77- A Series	9.41%	1-Sep-16	1,083.60
91	75 - B Series	9.62%	29-Jun-16	360.00
92	XXVII - A Series	8.20%	17-Mar-16	1,000.00
93	XXVI Series	7.95%	24-Feb-16	1,261.80
94	XXV Series	7.60%	30-Dec-15	1,734.70
95	52 - B Series	11.30%	28-Nov-15	5.80
96	XVIII Series	7.87%	13-Nov-15	25.00
97	XVII Series	8.21%	3-Oct-15	25.00
98	50 - C Series	10.70%	25-Aug-15	80.80
99	68 - A Series	8.25%	15-Jul-15	147.00
100	65 - Series	8.70%	14-May-15	1,337.50
101	89 - B Series	9.46%	2-May-15	2,056.00
102	85 - A Series	9.51%	15-Apr-15	661.30
103	64 - Series	8.95%	30-Mar-15	492.00
104	63 - Series	8.90%	15-Mar-15	184.00
105	83 Series	9.55%	13-Jan-15	1,292.30
106	61 - Series	8.50%	15-Dec-14	351.00
107	82 - A Series	9.63%	15-Dec-14	2,100.00
108	96 Series	8.90%	14-Dec-14	1,903.00
109	XVIII Series	7.87%	13-Nov-14	25.00
110	XXI B Series	7.00%	2-Nov-14	51.90
111	59 - A Series	8.45%	15-Oct-14	288.20
112	93 - A Series	8.85%	15-Oct-14	1,788.00
113	XVII Series	8.21%	3-Oct-14	25.00
114	58 - B Series	8.45%	17-Sep-14	331.10
115	57 - B Series	8.60%	7-Aug-14	866.50
116	75 - A Series	9.64%	29-Jun-14	555.00
117	55 - B Series	7.50%	11-May-14	146.90
118	54 - A Series	8.90%	16-Feb-14	196.50
119	52 - A Series	11.40%	28-Nov-13	662.70
120	XVIII Series	7.87%	13-Nov-13	25.00
121	XVII Series	8.21%	3-Oct-13	25.00
122	78 - A Series	9.43%	23-Sep-13	655.00
123	51 - B Series	11.10%	15-Sep-13	594.00
124	50 - B Series	10.75%	25-Aug-13	78.40
125	XLIX - A Series	10.90%	11-Aug-13	313.60
126	XLVIII - B Series	10.70%	15-Jul-13	217.40
127	XLVII - B Series	9.60%	9-Jun-13	495.30
33	As at 31.03.2013, Bonds of ₹7.40 crore (previous year ₹7.10 crore) are held by PFC Ltd. Employees Provident Fund Trust and Bonds of ₹0.50 crore (previous year ₹0.70 crore) are held by PFC Ltd. Gratuity Trust.			
34	Foreign currency 6.61 % Senior Notes (USPP - I) of USD 180 million amounting to ₹986.40 crore (previous year ₹927.54 crore) are redeemable at par on 05.09.2017.			

Note - Part A - 4
OTHER LONG TERM & CURRENT LIABILITIES

(₹ in crore)

Description	As at 31.03.2013			As at 31.03.2012		
	Short Term	Long Term	Total	Short Term	Long Term	Total
Interest Subsidy Fund from GOI (Refer Note No. 11 of Part-C - Other Notes on Accounts)	**33.06**	**112.72**	**145.78**	49.39	326.82	376.21
Interest Differential Fund - KFW (Refer Note No. 8 of Part-C - Other Notes on Accounts)	**0.00**	**54.73**	**54.73**	0.00	52.01	52.01
Advance received / amount payable to Subsidiaries (including interest payable thereon) (Refer Note No. 7.5 of Part-C - Other Notes on Accounts)	**3.58**	**295.60**	**299.18**	114.93	160.63	275.56
Amount payable to GoI under R-APDRP (Refer Note No. 13(i) of Part-C - Other Notes on Accounts)	**0.25**	**0.00**	**0.25**	11.09	0.00	11.09
Sub Total	**36.89**	**463.05**	**499.94**	175.41	539.46	714.87
Interest Accrued but not due :						
On Bonds	**4,771.01**	**0.00**	**4,771.01**	3,405.60	0.00	3,405.60
On Loans	**119.15**	**0.00**	**119.15**	90.96	0.00	90.96
Sub Total	**4,890.16**	**0.00**	**4,890.16**	3,496.56	0.00	3,496.56
Unpaid/ unclaimed						
Bonds	**4.71**	**0.00**	**4.71**	5.27	0.00	5.27
Interest on Bonds	**3.21**	**0.00**	**3.21**	3.55	0.00	3.55
Dividend	**1.20**	**0.00**	**1.20**	0.98	0.00	0.98
Sub Total	**9.12**	**0.00**	**9.12**	9.80	0.00	9.80
Others	**127.65**	**76.75**	**204.40**	117.91	11.18	129.09
Sub Total	**127.65**	**76.75**	**204.40**	117.91	11.18	129.09
Grand Total	**5,063.82**	**539.80**	**5,603.62**	**3,799.68**	**550.64**	**4,350.32**

NOTE - Part A - 5

PROVISIONS - LONG TERM AND SHORT TERM

(₹ in crore)

Description	As at 31.03.2013			As at 31.03.2012		
	Short Term	**Long Term**	**Total**	Short Term	Long Term	Total
Employee Benefits **						
Economic Rehabilitation of Employees	**0.12**	**1.19**	**1.31**	0.09	1.15	1.24
Leave Encashment	**1.14**	**19.25**	**20.39**	0.95	16.79	17.74
Staff Welfare Expenses	**1.15**	**12.14**	**13.29**	0.72	11.01	11.73
Gratuity / Superannuation Fund	**1.63**	**0.00**	**1.63**	7.24	0.00	7.24
Sub Total	**4.04**	**32.58**	**36.62**	9.00	28.95	37.95
Others						
Income Tax (net)	**20.86**	**11.62**	**32.48**	83.10	13.03	96.13
CSR Expenses (Refer Note No. 21.2 of Part-C - Other Notes on Accounts)	**0.00**	**0.00**	**0.00**	16.39	0.00	16.39
Contingent provision against Standard Assets (Refer Note No. 22 of Part-C - Other Notes on Accounts)	**14.66**	**118.13**	**132.79**	0.00	0.00	0.00
Proposed Final Dividend **	**132.00**	**0.00**	**132.00**	132.00	0.00	132.00
Proposed Corporate Dividend Tax **	**22.43**	**0.00**	**22.43**	21.41	0.00	21.41
Sub Total	**189.95**	**129.75**	**319.70**	252.90	13.03	265.93
Grand Total	**193.99**	**162.33**	**356.32**	**261.90**	**41.98**	**303.88**

** (Refer Note No. 21.1 of Part-C - Other Notes on Accounts)

NOTE - Part A - 6
FIXED ASSETS

(₹ in crore)

	Description	GROSS BLOCK				DEPRECIATION					NET BLOCK	
		Opening Balance as at 01.04.2012	Additions / Adjustments	Deductions / Adjustments	Closing Balance as at 31.03.2013	Opening Balance as at 01.04.2012	For the Period 01.04.2012 to 31.03.2013	Prior period Adjustments	Withdrawn/ Written back	Closing Balance as at 31.03.2013	As at 31.03.2013	As at 31.03.2012
I.	**Tangible Assets : Owned Assets**											
	Land (Freehold)	2.59	0.79	0.00	3.38	0.00	0.00	0.00	0.00	0.00	3.38	2.59
	Land (Leasehold)	37.87	0.00	0.00	37.87	0.00	0.00	0.00	0.00	0.00	37.87	37.87
	Buildings	25.54	0.17	0.79	24.92	6.28	0.93	(0.01)	0.00	7.20	17.72	19.26
	EDP Equipments	12.81	1.27	0.27	13.81	8.94	1.88	0.00	0.23	10.59	3.22	3.87
	Office and other equipments	12.46	1.52	0.14	13.84	6.86	0.91	0.00	0.10	7.67	6.17	5.60
	Furniture & Fixtures	7.48	0.16	0.15	7.49	4.93	0.50	0.00	0.13	5.30	2.19	2.55
	Vehicles	0.13	0.00	0.05	0.08	0.12	0.00	0.00	0.05	0.07	0.01	0.01
	Total	**98.88**	**3.91**	**1.40**	**101.39**	**27.13**	**4.22**	**(0.01)**	**0.51**	**30.83**	**70.56**	**71.75**
	Previous year	94.73	4.49	0.34	98.88	**22.95**	4.38	**0.03**	**0.23**	27.13	71.75	**71.78**
II.	**Intangible Assets : Purchased Software (Useful Life - 5 years)**	6.86	1.01	0.00	7.87	**2.60**	1.48	**0.01**	**0.00**	4.09	3.78	**4.26**
	Previous year	4.21	2.65	0.00	6.86	**1.56**	1.04	**0.00**	**0.00**	2.60	4.26	**2.65**
III.	**Capital Works in Progress - Intangible Assets ****	0.45	0.00	0.45	0.00	**0.00**	0.00	**0.00**	**0.00**	0.00	0.00	**0.45**
	Previous year	2.28	0.33	2.16	**0.45**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.45**	**2.28**

** Software Applications

NOTE - Part A - 7
NON- CURRENT INVESTMENTS

(₹ in crore)

Description		As at 31.03.2013		As at 31.03.2012
(A) Trade Investments (Quoted)				
I. Equity Instruments				
- Valued at Cost				
1,20,00,000 (Previous year 1,20,00,000) Equity Shares of ₹ 10/- each fully paid up of PTC Ltd.		**12.00**		12.00
Sub Total		**12.00**		**12.00**
(B) Other Investments (Unquoted-Non Trade)				
I. Equity Instruments				
21,87,015 (Previous year 21,87,015) Equity Shares of ₹ 10/- each fully paid up of National Power Exchange Ltd. **		**2.19**		2.19
28,00,000 (Previous year 28,00,000) Equity Shares of Rs. ₹ 10/- each fully paid up of Power Exchange India Ltd. (Refer Note No. 7.6(ii) Part C - Other Notes on Accounts)		**2.80**		2.80
2,25,00,000 (Previous year 6,25,000) Equity Shares of ₹ 10/- each fully paid up of Energy Efficiency Services (P) Ltd.**		**22.50**		0.63
2,66,40,000 (Previous year 55,90,000) Equity Shares of ₹ 10/- each fully paid up of Subsidiaries**		**26.64**		5.59
II. Preference Shares				
8,40,00,000 (Previous year Nil) 10% Fully Convertible Preference shares of ₹ 10/- each fully paid up of Subsidiaries**		**84.00**		0.00
III. Bonds / Debentures				
8,330 (Previous year 8,330) 4% Bonds of ₹ 100/- each of IMP Power Ltd.		**0.08**		0.08
2,94,44,390 (Previous year 3,40,02,868) OFCD of ₹ 10/- each of R S India Wind Energy Pvt. Ltd.	**29.44**		34.00	
Less : Provision for contingencies	**0.00**	**29.44**	34.00	0.00
IV. Others				
- Valued at Cost (Less diminution, if any, other than temporary)				
76,82,816 (Previous year 78,25,127) Units of " Small is Beautiful " Fund of KSK Investment Advisor Pvt. Ltd. (Face value per unit is ₹ 10) (Refer Note No. 7.6 (i) of Part-C - Other Notes on Accounts)	**7.68**		7.83	
Less : Provision for diminution	**0.15**	**7.53**	0.16	7.67
V. Application Money pending allotment of Shares				
Nil (Previous year 2,43,75,000) Equity Shares (Face value of ₹ 10/- each) of Energy Efficiency Services (P) Ltd.** (Refer Note No. 7.2 (vi) of Part-C - Other Notes on Accounts)		**0.00**		24.38
Sub Total		**175.18**		**43.34**
TOTAL		**187.18**		**55.34**

Particulars	Book Adjusted Value	Market Value
Aggregate of Quoted Investments	12.00	71.46
(previous year)	(12.00)	(73.68)
Aggregate of Un-Quoted (non trade) Investments	175.18	-
(previous year)	(18.96)	-
Application Money pending allotment of Shares	0.00	-
(previous year)	(24.38)	-
TOTAL	**187.18**	**71.46**
(Previous year)	**(55.34)**	**(73.68)**

** (Refer Note No. 7.2 of Part-C - Other Notes on Accounts)

NOTE - Part A - 8

LOANS

(₹ in crore)

Description	As at 31.03.2013						As at 31.03.2012					
	Current maturities (Twelve Months)		Non Current		Total		Current maturities (Twelve Months)		Non Current		Total	
A. Long Term Loans												
I Secured Loans												
a) Considered Good												
Rupee Term Loans (RTLs) to State Electricity Boards, State Power Corporations, Central Public Sector Undertakings and State Governments	**10,741.69**		**91,997.07**		**1,02,738.76**		8,836.12		65,533.38		74,369.50	
RTLs to Independent Power Producers	**989.56**		**13,269.75**		**14,259.31**		406.77		6,674.03		7,080.80	
Foreign Currency Loans to Independent Power Producers	**27.46**		**70.76**		**98.22**		25.83		92.36		118.19	
Buyer's Line of Credit	**10.20**		**122.36**		**132.56**		4.89		0.00		4.89	
Lease Financing to Borrowers **	**49.95**		**235.12**		**285.07**		35.96		63.00		98.96	
RTLs to Equipment Manufacturers	**224.83**		**688.79**		**913.62**		1.25		0.00		1.25	
Incomes accrued & due on loans	**35.23**	**12,078.92**	**0.00**	**1,06,383.85**	**35.23**	**1,18,462.77**	3.30	9,314.12	0.00	72,362.77	3.30	81,676.89
b) Others												
RTL to Independent Power Producers - NPA	**196.77**		**723.01**		**919.78**		62.05		864.97		927.02	
Less: Provision for contingencies	**27.70**	**169.07**	**72.30**	**650.71**	**100.00**	**819.78**	14.23	47.82	86.50	778.47	100.73	826.29
Lease financing to Borrowers - NPA	**0.00**		**0.00**		**0.00**		5.55		222.07		227.62	
Less: Provision for contingencies	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	0.55	5.00	22.21	199.86	22.76	204.86
FCL to Independent Power Producers - NPA	**77.80**		**136.93**		**214.73**		49.31		154.52		203.83	
Less: Provision for contingencies	**7.78**	**70.02**	**13.69**	**123.24**	**21.47**	**193.26**	4.93	44.38	15.45	139.07	20.38	183.45
Sub Total (I)		**12,318.01**		**1,07,157.80**		**1,19,475.81**		9,411.32		73,480.17		82,891.49

II. Un-Secured Loans												
a) Considered Good												
Rupee Term Loans (RTLs) to State Electricity Boards, State Power Corporations, Central Public Sector Undertakings and State Governments	3,005.33		32,068.20		**35,073.53**		2,205.03		32,781.57		**34,986.60**	
RTLs to Independent Power Producers	115.64		3,146.20		**3,261.84**		79.37		4,924.35		**5,003.72**	
Foreign Currency Loans to State Power Utilities	11.99		34.87		**46.86**		11.56		44.06		**55.62**	
Buyer's Line of Credit	4.87		87.57		**92.44**		0.00		0.00		**0.00**	
RTLs to Equipment Manufacturers	0.00		0.00		**0.00**		166.75		786.77		**953.52**	
Incomes accrued & due on loans	0.01	3,137.84	0.00	35,336.84	**0.01**	**38,474.68**	3.00	2,465.71	0.00	38,536.75	**3.00**	**41,002.46**
Sub Total (II)		**3,137.84**		**35,336.84**		**38,474.68**		**2,465.71**		**38,536.75**		**41,002.46**
Total (I + II)		**15,455.85**		**1,42,494.64**		**1,57,950.49**		**11,877.03**		**1,12,016.92**		**1,23,893.95**
B. Short Term Loans												
I Secured Loans												
Working Capital Loans to State Electricity Boards and State Power Corporations		1,000.00		0.00		**1,000.00**		2,267.02		0.00		**2,267.02**
Sub Total (I)		**1,000.00**		**0.00**		**1,000.00**		**2,267.02**		**0.00**		**2,267.02**
II Un-Secured Loans												
Working Capital Loans to State Electricity Boards and State Power Corporations		1,416.11		0.00		**1,416.11**		3,760.85		0.00		**3,760.85**
Working Capital Loans to Independent Power Producers		0.00		0.00		**0.00**		150.00		0.00		**150.00**
Sub Total (II)		**1,416.11**		**0.00**		**1,416.11**		**3,910.85**		**0.00**		**3,910.85**
Total (I + II)		**2,416.11**		**0.00**		**2,416.11**		**6,177.87**		**0.00**		**6,177.87**
Grand Total		**17,871.96**		**1,42,494.64**		**1,60,366.60**		**18,054.90**		**1,12,016.92**		**1,30,071.82**

** (Refer Note No. 10(a) of Part-C - Other Notes on Accounts)

NOTE - Part A - 9
OTHER ASSETS

(₹ in crore)

Description	As at 31.03.2013						As at 31.03.2012					
	Current		Non-Current		Total		Current		Non-Current		Total	
A LOANS & ADVANCES												
I Loans (considered good)*												
a) to Employees (Secured)	**2.34**		**15.23**		**17.57**		2.06		13.24		15.30	
b) to Employees (Unsecured)	**4.11**	**6.45**	**27.26**	**42.49**	**31.37**	**48.94**	3.75	5.81	18.84	32.08	22.59	37.89
II Advances (Unsecured considered good)												
Advances recoverable in cash or in kind or for value to be received												
a) to Subsidiaries (including interest recoverable there on) (Refer Note No. 7.4 of Part-C - Other Notes on Accounts)	**0.10**		**219.44**		**219.54**		103.02		68.74		171.76	
b) to Employees	**0.77**		**0.00**		**0.77**		0.69		0.00		0.69	
c) Prepaid Expenses	**2.02**		**0.00**		**2.02**		1.81		0.00		1.81	
d) Unamortized financial charges on Commercial Paper	**109.80**		**0.00**		**109.80**		0.00		0.00		0.00	
e) Others	**79.64**		**0.30**		**79.94**		61.52		0.33		61.85	
f) Advance Income Tax and Tax Deducted at Source (net)	**0.00**		**105.05**		**105.05**		0.00		32.09		32.09	
g) Security Deposits	**3.25**	**195.58**	**0.27**	**325.06**	**3.52**	**520.64**	12.24	179.28	0.28	101.44	12.52	280.72
B OTHER ASSETS												
I Accrued but not due :												
a) Interest on Loan Assets	**3,252.01**		**0.00**		**3,252.01**		2,474.01		0.00		2,474.01	
b) Other charges	**16.11**		**0.00**		**16.11**		15.88		0.00		15.88	
c) Interest on Loans to Employee	**0.23**		**8.52**		**8.75**		6.72		0.00		6.72	
d) Interest on Deposits and Investments	**31.50**	**3,299.85**	**0.00**	**8.52**	**31.50**	**3,308.37**	14.05	2,510.66	0.00	0.00	14.05	2,510.66
C Loans & Advances (Unsecured - Others)												
Non Performing Assets (NPAs)	**84.14**		**0.00**		**84.14**		39.53		0.00		39.53	
Less : Provision for contingencies	**9.26**	**74.88**	**0.00**	**0.00**	**9.26**	**74.88**	4.80	34.73	0.00	0.00	4.80	34.73
Total		**3,576.76**		**376.07**		**3,952.83**		2,730.48		133.52		2,864.00

* Note :-
Loans and Advances include :

Particulars	**Balance as at 31.03.2013**	**Maximum during 2012-13**	Balance as at 31.03.2012	Maximum during 2011-12
Loans given to directors	**0.11**	**0.25**	0.12	0.16
Loans given to Executives	**37.85**	**43.23**	28.25	32.06
Loans given to other employees	**10.98**	**12.46**	9.52	10.75
TOTAL	**48.94**	**55.94**	37.89	42.97

NOTE - Part A -10
CURRENT INVESTMENTS

(₹ in crore)

Description		As at 31.03.2013		As at 31.03.2012
A. Equity Instruments - Valued scrip wise at lower of cost or fair value (Trade and Quoted)				
5,39,349 Shares (Previous year - 5,39,349 Shares) (Face value of ₹ 10/- each fully paid up) of PGCIL purchased at a cost of ₹ 52	**2.80**		2.80	
Less : Provision for diminution	**0.00**	**2.80**	0.00	2.80
97,952 Shares (Previous year - 97,952 Shares) (Face value of ₹ 10/- each fully paid up) of REC Ltd. purchased at a cost of ₹ 105	**1.03**		1.03	
Less : Provision for diminution	**0.00**	**1.03**	0.00	1.03
Total		**3.83**		**3.83**

Particulars	**Book Adjusted Value**	**Market Value**
Aggregate of Quoted Investments	**3.83**	**7.75**
(previous year)	**(3.83)**	(7.84)
TOTAL	**3.83**	**7.75**
(Previous year)	**(3.83)**	**(7.84)**

NOTE - Part A -11
CASH AND BANK BALANCES

(₹ in crore)

Description		As at 31.03.2013		As at 31.03.2012
A Cash and Cash Equivalents				
i) Balances in current accounts with:				
Reserve Bank of India	**0.05**		0.05	
Scheduled Banks	**2.81**	**2.86**	18.66	18.71
ii) Cheques in hand		**0.01**		0.06
iii) Balances in current accounts with scheduled banks for payment of interest on bonds, dividend, etc.		**1.25**		0.98
iv) Public issue Account with Escrow Collection Banker		**165.37**		0.00
v) Imprest with postal authority		**0.00**		0.01
vi) Fixed Deposits with Scheduled Banks (original maturity up to three months)		**4,579.58**		1,964.21
Sub Total (I)		**4,749.07**		**1,983.97**
B Other Balances				
i) Fixed Deposits with Scheduled Banks (original maturity of more than three months)		**4.74**		4.23
Sub Total (II)		**4.74**		**4.23**
TOTAL		**4,753.81**		**1,988.20**

NOTE - Part A - 12
REVENUE FROM OPERATIONS

(₹ in crore)

Description		Year ended 31.03.2013	Year ended 31.03.2012
I.	**Interest**		
	Interest on Loans	**16,887.64**	12,602.47
	Prepayment Premium on Loans	**10.96**	14.87
	Upfront fees on Loans	**39.69**	26.81
	Service charges on Loans	**0.00**	0.02
	Management, Agency & Guarantee Fees	**115.56**	65.37
	Commitment charges on Loans	**4.34**	2.60
	Income from surplus funds	**156.16**	244.97
	Lease income	**29.40**	18.59
	Sub Total (I)	**17,243.75**	**12,975.70**
II.	**Other Financial Services**		
	Nodal Agency Fees under R-APDRP (Refer Note No. 13 (ii) of Part-C - Other Notes on Accounts)	**16.52**	39.15
	Sub Total (II)	**16.52**	**39.15**
	TOTAL	**17,260.27**	**13,014.85**

NOTE - Part A - 13
OTHER INCOME

(₹ in crore)

Description	Year ended 31.03.2013	Year ended 31.03.2012
Dividend / Interest Income on Long term Investments	**7.99**	1.84
Dividend Income on Current Investments	**0.25**	0.20
Profit on sale of Fixed Assets	**0.01**	0.01
Profit on sale of Long term Investments	**0.05**	0.84
Interest on Income Tax Refund	**0.18**	16.58
Miscellaneous Income	**3.80**	2.71
Excess Liabilities written back	**0.00**	0.08
TOTAL	**12.28**	**22.26**

NOTE - Part A - 14
INTEREST, FINANCE AND OTHER CHARGES

(₹ in crore)

Description		Year ended 31.03.2013		Year ended 31.03.2012
I. Interest				
On Bonds	**8,579.57**		6,213.02	
On Loans	**1,772.32**		1,808.14	
to GOI on Interest Subsidy Fund	**19.00**		36.02	
Rebate for Timely Payment to Borrowers	**167.46**		181.29	
Swap Premium (Net)	**13.45**	**10,551.80**	(8.19)	8,230.28
II. Other Charges				
Commitment & Agency Fees	**1.13**		1.04	
Financial Charges on Commercial Paper	**200.74**		57.47	
Guarantee, Listing & Trusteeship fees	**1.99**		1.64	
Management Fees on Foreign Currency Loans	**64.44**		0.00	
Bank / Other Charges	**0.07**	**268.37**	0.19	60.34
Interest paid on advances received from subsidiaries	**7.63**		9.08	
Less : Interest received on advances given to subsidiaries	**4.70**	**2.93**	2.64	6.44
III. Net Translation / Transaction Exchange Loss (+) / gain (-)		**167.98**		167.60
TOTAL		**10,991.08**		**8,464.66**

NOTE - Part A - 15
BOND ISSUE EXPENSES

(₹ in crore)

Description	Year ended 31.03.2013	Year ended 31.03.2012
Interest on Application Money	**61.27**	123.76
Credit Rating Fees	**2.84**	2.85
Other Issue Expenses	**24.97**	63.64
Stamp Duty Fees	**8.25**	6.64
TOTAL	**97.33**	**196.89**

NOTE - Part A - 16
EMPLOYEE BENEFIT EXPENSES

(₹ in crore)

Description	Year ended 31.03.2013	Year ended 31.03.2012
Salaries and Wages	**63.54**	51.75
Contribution to Provident and other funds	**5.95**	5.00
Staff Welfare	**7.61**	8.78
Rent for Residential accommodation of employees (Refer Note No. 10 (b) of Part-C - Other Notes on Accounts)	**3.84**	6.55
TOTAL *	**80.94**	**72.08**

* The expenses of ₹ 5.07 crore (previous year ₹ 5.47 crore) on account of reimbursement of amount incurred for R-APDRP scheme have been adjusted against the respective heads.

NOTE - Part A - 17
OTHER EXPENSES

(₹ in crore)

Description	Year ended 31.03.2013	Year ended 31.03.2012
Office Rent	**0.54**	0.49
Electricity & Water charges	**1.38**	1.02
Insurance	**0.04**	0.11
Repairs & Maintenance	**2.38**	1.82
Stationery & Printing	**0.92**	0.69
Travelling & Conveyance	**7.40**	5.81
Postage, Telegraph & Telephone	**1.47**	0.85
Professional & Consultancy charges	**0.82**	1.94
CSR Expenses	**13.32**	13.24
Sustainable Development Expenses	**2.98**	0.00
Miscellaneous Expenses *	**19.39**	19.70
Loss on sale of Fixed Assets	**0.04**	0.03
Auditors' remuneration	**0.48**	0.60
Service Tax	**5.93**	4.30
Rates & Taxes	**0.78**	0.72
Wealth Tax	**0.00**	0.01
Contribution to PMC (MoP)	**0.55**	0.54
TOTAL	**58.42**	**51.87**

* The expenses of Nil (previous year ₹ 2.83 crore) on account of reimbursement of amount incurred for R-APDRP scheme have been adjusted against the respective heads.

*** Note :-**

1) Miscellaneous Expenses includes :		
Books & Periodicals	**0.04**	0.03
Advertisement	**5.25**	6.39
Membership & Subscription	**0.60**	0.65
Entertainment	**0.49**	0.56
Conference & Meeting Expenses	**1.15**	1.46
Security Expenses	**1.10**	0.89
Training	**0.65**	0.35
EDP Expenses	**2.04**	1.23
Business Promotion / Related Expenses	**0.17**	0.14
Interest on income tax	**4.07**	4.90
2) Auditors' Remuneration includes :		
Audit fees	**0.15**	0.15
Tax Audit fees	**0.04**	0.04
Other certification services	**0.29**	0.41
Reimbursement of Expenses	**0.00**	0.00

Note - Part A -18
PRIOR PERIOD ITEMS (NET)

(₹ in crore)

Description		Year ended 31.03.2013		Year ended 31.03.2012
Prior Period Expenses :				
Interest & other Charges	**1.18**		0.44	
Issue Expenses	**0.00**		(0.23)	
Personnel & Administration Expenses - CSR*	**(16.39)**		0.00	
Personnel & Administration Expenses - Others	**0.28**		(0.73)	
Depreciation	**0.00**	**(14.93)**	0.03	**(0.49)**
Less: Prior Period Income :				
Interest Income	**(3.47)**		0.34	
Other Income	**(2.65)**	**(6.12)**	0.00	**0.34**
TOTAL		**(8.81)**		**(0.83)**

* On account of reversal of CSR provision pertaining to earlier years. Live change (Refer Note No. 21.2 of Part-C - Other Notes on Accounts)

Part – B

SIGNIFICANT ACCOUNTING POLICIES

1 BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

The Financial Statements have been prepared in accordance with historical cost convention on accrual basis in accordance with Generally Accepted Accounting Principles (GAAP) and Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006 and relevant provisions of the Companies Act, 1956.

The preparation of Financial Statements requires the Management to make estimates and assumptions considered in the reported amounts of assets, liabilities (including contingent liabilities), revenues and expenses of the reporting period. The difference between the actual results and the estimates are recognized in the period in which the results are known and/or materialized.

2 RECOGNITION OF INCOME/EXPENDITURE

2.1 Income and expenses (except as stated below) are accounted for on accrual basis.

2.1.1 Income on non-performing assets and assets stated in the proviso to paragraph 6.2, infra is recognized in the year of its receipt. However, any unrealized income recognized before the asset in question became non-performing asset or the income recognized in respect of assets as stated in the proviso to paragraph 6.2, infra which remained due but unpaid for a period more than six months is reversed.

2.1.2 Income under the head carbon credit is accounted for in the year in which it is received by the Company.

2.2 Rebate on account of timely payment by borrowers is accounted for, on receipt of entire amount due on time.

2.3 Discount / financial charges / interest on the commercial papers and zero coupon bonds (deep discount bonds) are amortized proportionately over the period of its tenure.

2.4 Expenditure on issue of shares is charged to the securities premium account.

2.5 Income from dividend is accounted for in the year of declaration of dividend.

2.6 Recoveries in borrower accounts are appropriated as per the loan agreements.

2.7 The Company raises demand for principal installments due, as per loan agreements. The repayment is adjusted against earliest disbursement, irrespective of the rate of interest being charged on various disbursements.

2.8 Prior period expenses / income and prepaid expenses upto ₹ 5,000/- are charged to natural heads of account.

2.9 (i) Nodal Agency Fees under Restructured Accelerated Power Development and Reforms Programme (R – APDRP) are accounted for @1% of the sanctioned project cost in three stages- 0.40% on sanction of the project, 0.30% on disbursement of the funds and remaining 0.30% after completion of the sanctioned project (for Part – A) and verification of AT&C loss of the project areas (for Part – B).

(ii) Actual expenditure incurred for operationalising the R– APDRP are reimbursed by Ministry of Power, Government of India and is accounted for in the period in which the expenditure is so incurred.

3 FIXED ASSETS/DEPRECIATION

3.1 Fixed assets are shown at historical cost less accumulated depreciation, except for the assets retired from active use and held for disposal, which are stated at lower of the book value or net realizable value.

3.2 Additions to fixed assets are being capitalized on the basis of bills approved or estimated value of work done as per contracts in cases where final bills are yet to be received/ approved.

3.3 Depreciation on assets is provided on written down value method, in accordance with the rates prescribed in Schedule XIV of the Companies Act, 1956.

3.4 Items of fixed assets acquired during the year costing up to ₹ 5,000/- are fully depreciated.

4 INTANGIBLE ASSETS / AMORTIZATION

4.1 Intangible assets such as software are shown at the cost of acquisition, and amortization is done under straight-line method over the life of the assets estimated by the Company.

5 INVESTMENTS

5.1 Quoted current investments are valued scrip wise at lower of cost or fair value.

5.2 Unquoted current investments are valued at lower of cost or fair value.

5.3 Long term investments are valued at cost. Provision is made for diminution, other than temporary in the value of such investments. However, diminution in value is reversed, when there is rise in the value or if the reason for the reduction no longer exists.

5.4 Investments in mutual funds / venture capital funds are valued at cost, less diminution, if any, other than temporary. However, diminution in value is reversed, when there is rise in the value or if the reason for the reduction no longer exists.

6 PROVISIONS / WRITE OFF AGAINST LOANS AND ADVANCES

Prudential Norms

6.1 PFC being a Government owned Non Banking Financial Company (NBFC) is exempt from the RBI directions relating to Prudential Norms. The Company, however, has formulated its own set of Prudential Norms with effect from 01.04.2003, which has been revised from time to time.

In respect of private sector utilities, the Company applies RBI exposure norms, as advised by RBI, vide their letter of December, 2008. Further, RBI exempted PFC from its prudential exposure norms in respect of lending to State / Central entities in power sector till March, 2012, vide their letter dated 18.03.2010. RBI has now extended the exemption from its prudential norms upto March, 2013, vide their letter dated 04.04.2012.

RBI has accorded the status of Infrastructure Finance company (IFC) to PFC, vide their letter dated 28.07.2010. Accordingly, PFC maintains CRAR as applicable to IFC.

6.2 As per prudential norms approved by the Board of Directors and the Ministry of Power, an asset including a lease asset, in respect of which, interest, principal installment and/or other charges remain due but unpaid for a period of six months or more, a term loan inclusive of unpaid interest and other dues if any, when the principal installment and /or interest remains unpaid for a period of six months or more, any amount which remains due but unpaid for a period of six months or more under bill discounting scheme and any amount due on account of sale of assets or services rendered or reimbursement of expenses incurred which remains unpaid for a period of six months or more are classified as Non-Performing Assets (NPA).

However, the following assets would not be classified as non-performing assets and the income on these loans is recognized on realisation basis.

(i) Loans in respect of projects which are under implementation as per RBI Circular No. ref DBS.FID No. C-11/01.02.00/2001-02 dated February 1, 2002 read with D.O. letter DBS FID No 1285/01.02.00/2001-02 dated May 14, 2002 and RBI letter No.DBOD.BP.No.7675/21.04.048/2008-09 dated 11.11.2008 are classified in line with RBI guidelines for asset classification of Infrastructure projects, as applicable to banks from time to time.

(ii) A facility which is backed by the Central / State Government guarantee or by the State Government undertaking for deduction from central plan allocation or a loan to State department, for a period not exceeding 12 months from the date from which Company's dues have not been paid by the borrower.

(iii) A loan disbursed to an integrated power entity which is bifurcated on account of division of states, the company shall follow the government order issued for division of assets and liabilities, unless the same is stayed by any court and the case is pending in the court.

(iv) Non servicing of part of dues disputed by the borrower for a period not exceeding 12 months from the date from which the company's dues have not been paid by the borrower. The disputed income shall be recognized only when it is actually realized. Any such disputed income already recognized in the books of accounts shall be reversed. Disputed dues means amount on account of financial charges like commitment charges, penal interest etc. and the disputed differential income on account of interest reset not serviced by the borrower due to certain issues remains unresolved. A dispute shall be acknowledged on case to case basis with the approval of the Board of Directors.

6.3 NPA classification and provisioning norms for loans, other credits and lease assets are given as under

(i)	NPA for a period not exceeding 18 months	:	Sub-standard asset
(ii)	NPA exceeding 18 months	:	Doubtful asset
(iii)	When an asset is identified as loss asset or assets remain doubtful asset exceeding 36 months, whichever is earlier	:	Loss asset

6.4 Provision against NPAs is made at the rates indicated below: -

(i) Sub-standard assets : 10%

(ii) Doubtful assets:

(a) Secured portion / facility including that guaranteed by the state / central government or by the state government undertaking for deduction from central plan allocation or loan to state department.

Upto 1 year	:	20%
1 – 3 years	:	30%
More than 3 years	:	100%
(b) Unsecured	:	100%

(iii) Loss assets : 100%

The entire loss assets shall be written off. In case, a loss asset is permitted to remain in the books for any reason, 100% of outstanding shall be provided for.

For the purpose of assets classification and provisioning –

(i) facilities granted to Government sector entities are considered loan-wise.

(ii) facilities granted to Private sector entities are considered borrower -wise.

(iii) facilities falling under paragraph 6.2 (i), supra, shall be classified in line with RBI guidelines for asset classification of infrastructure projects, as applicable to banks from time to time, but provisioning for such facilities shall be as per PFC Prudential Norms applicable from time to time.

6.5 Provision for standard assets shall be created in phases in three years from the FY 2012-13 @ of 0.0833% p.a, in order to bring it to 0.25% on 31st March 2015. This provision shall not be netted off from gross loan assets, but shall be shown separately in the balance sheet.

6.6 Restructuring, Reschedulement or Renegotiation of term(s) of loan:

(i) PFC may, not more than once (in each of the following three stages), restructure or reschedule or renegotiate the terms of infrastructure loan agreement as per the policy framework laid down by the Board of Directors of the company under the following stages:

a) Before commencement of commercial production

b) After commencement of commercial production but before the asset has been classified as sub-standard;

c) After the commencement of commercial production and the asset has been classified as sub-standard.

Provided that in each of the above three stages, the restructuring and / or rescheduling and/or renegotiation of principal and / or of interest may take place, with or without sacrifice, as part of the restructuring or rescheduling or renegotiating package evolved.

Provided further that in exceptional circumstance(s), for reasons to be recorded in writing, PFC may consider restructuring / reschedulement / renegotiation of terms of loan agreement second time before COD of the project with the approval of Board of Directors.

Provided further that extension of repayment schedule before COD* of the project in respect of Government Sector Entities, without any sacrifice** of either principal or interest, will not be considered as restructuring / rescheduling / renegotiation for the purpose of applicability of this section.

* Completion Date for projects where COD is not applicable.

** The term "sacrifice" shall mean waiver / reduction of principal and / or the interest dues and / or future applicable interest rate as a part of Restructuring / Reschedulement / Renegotiation package for the purpose of giving effect to the extant provision in respect of Government sector entities.

(ii) Provision for shortfall in security of Restructured / Rescheduled / Renegotiated Loans:

Where the asset is partly secured, a provision to the extent of shortfall in the security available, shall be made while restructuring and / or rescheduling and / or renegotiation of the loans, apart from the provision required on present value basis and as per prudential norms.

(iii) Treatment of Restructured / Rescheduled / Renegotiated Standard Loan:

The rescheduling or restructuring or renegotiation of the instalments of principal alone, at any of the aforesaid first two stages shall not cause a standard asset to be re-classified in the sub-standard category, if the project is re-examined and found to be viable by the Board of Directors of PFC or by a functionary at least one step senior to the functionary who sanctioned the initial loan for the project, within the policy framework laid down by the Board.

Provided that rescheduling or renegotiation or restructuring of interest element at any of the foregoing first two stages shall not cause a standard asset to be downgraded to sub-standard category subject to the condition that the amount of interest foregone, if any, on account of adjustment in the element of interest as specified later, is either written off or 100 per cent provision is made there against.

(iv) Treatment of Restructured / Rescheduled / Renegotiated sub-standard Asset:

A sub-standard asset shall continue to remain in the same category in case of restructuring or rescheduling or renegotiation of the instalments of principal until the expiry of one year and the amount of interest foregone, if any, on account of adjustment, including adjustment by way of write off of the past interest dues, in the element of interest as specified later, shall be written off or 100 per cent provision made there against.

(v) Adjustment of Interest:

Where rescheduling or renegotiation or restructuring involves a reduction in the rate of interest, the interest adjustment shall be computed by taking the difference between the rate of interest as currently applicable to the loan (as adjusted for the risk rating applicable to the borrower) and the reduced rate and aggregating the present value (discounted at the rate currently applicable to infrastructure loan, adjusted for risk enhancement) of the future interest payable so stipulated in the restructuring or rescheduling or renegotiation proposal.

(vi) Funded Interest:

In the case of funding of interest in respect of NPAs, where the interest funded is recognized as income, the interest funded shall be fully provided for.

(vii) Eligibility for Upgradation of Restructured / Rescheduled / Renegotiated Sub-standard Infrastructure loan:

The sub-standard asset subjected to rescheduling and / or renegotiation and / or restructuring, whether in respect of instalments of principal amount, or interest amount, by whatever modality, shall not be upgraded to the standard category until expiry of one year of satisfactory performance under the restructuring and / or rescheduling and/or renegotiation terms.

(viii) Reversal of Provision:

Reversal of provision made for a restructured / rescheduled / renegotiated NPA towards principal is permitted when the account becomes a standard asset. The provision made in a restructured / rescheduled / renegotiated account towards interest sacrifice may be reversed every year (NPV of interest sacrifice for the respective year) on receipt of all repayment obligations for the respective year.

(ix) Conversion of Debt into Equity:

Where the amount due as interest is converted into equity or any other instrument, and income is recognized in consequence, full provision shall be made for the amount of income so recognized to offset the effect of such income recognition:

Provided that no provision is required to be made, if the conversion of interest is into equity which is quoted;

Provided further that in such cases, interest income may be recognized at market value of equity, as on the date of conversion, not exceeding the amount of interest converted to equity.

(x) Conversion of Debt into Debentures:

Where principal amount and / or interest amount in respect of NPAs is converted into debentures, such debentures shall be treated as NPA, ab initio, in the same asset classification as was applicable to the loan just before conversion and provision shall be made as per norms.

(xi) These norms shall be applicable to the loans which have been restructured and / or rescheduled and / or renegotiated and which are fully or partly secured standard / sub-standard asset.

For the above paragraphs, Restructuring / Re-schedulement / Renegotiation shall cover terms of agreement relating to principal and interest.

However, this section shall not be applicable to the following set of assets:

(a) A facility which is backed by Central / State Government Guarantee or by state government undertaking for deduction from central plan allocation or a loan to state department.

(b) Loans falling under paragraph 6.2(i).

7 FOREIGN EXCHANGE TRANSACTIONS :

7.1 The following transactions are accounted for at the exchange rates prevailing on the date of the transaction as per Accounting Standard – 11.

(i) Expenses and income in foreign currency; and

(ii) Amounts borrowed and lent in foreign currency.

7.2 The following balances are translated in Indian Currency at the exchange rates prevailing on the date of closing of accounts as per Accounting Standard – 11.

(i) Foreign currency loan liabilities.

(ii) Funds kept in foreign currency account with banks abroad.

(iii) Contingent liabilities in respect of guarantees given in foreign currency.

(iv) Income earned abroad but not remitted / received in India.

(v) Loans granted in foreign currency.

(vi) Expenses and income accrued but not due on foreign currency loans/borrowing.

7.3 Where the Company has entered into a forward contract or an instrument that is, in substance a forward contract, the difference between the forward rate and the exchange rate on the date of transaction is recognized as income or expense over the life of the contract, as per Accounting Standard – 11.

7.4 In case of loan from KFW, Germany, exchange difference is transferred to Interest Differential Fund Account – KFW as per loan agreement.

7.5 In accordance with the paragraph 46A of the Accounting Standards (AS) 11, the exchange differences on the long term foreign currency monetary items are amortized over their balance period.

8. Derivative transactions

8.1 Derivative transactions include forwards, interest rate swaps, currency swaps, and currency and cross currency options to hedge on balance sheet assets or liabilities.

8.2 These derivative transactions are done for hedging purpose, and not for trading or speculative purpose. These are accounted for on accrual basis, and are not marked to market.

9 GRANTS FROM GOVERNMENT OF INDIA :

9.1 Where grants are first disbursed to the grantee, the same are shown as amount recoverable from the Govt. of India and are squared up on receipt of amount.

9.2 Where grants are received in advance from Govt. of India, the same are shown as current liabilities till the payments are released to the grantee.

10 INTEREST SUBSIDY FUND

10.1 Interest subsidy for eligible borrowers received from the Ministry of Power, Govt. of India under Accelerated Generation & Supply Programme (AG&SP) on net present value (NPV) basis is credited to Interest Subsidy Fund on receipt and is passed on to the borrowers over the eligible period of loan on respective dates of interest demands. Any excess / shortfall in the Interest Subsidy Fund is refunded or adjusted/charged off on completion of respective scheme.

10.2 Interest Subsidy Fund is credited at the year-end with interest on the outstanding balance in the subsidy fund by debiting statement of Profit & Loss, at rates specified in the Scheme.

11 R-APDRP FUND

11.1 Amounts received from the Government of India under Re-structured Accelerated Power Development & Reforms Programme (R – APDRP) as a Nodal agency for on lending to eligible borrowers are back to back arrangements with no profit or loss arising to the Company.

12 INCOME/RECEIPT/EXPENDITURE ON SUBSIDIARIES

12.1 Expenditure incurred on the subsidiaries is debited to the account "Amount recoverable from concerned subsidiary".

12.2 Expenses in respect of man days (employees) are allocated to subsidiaries and administrative overheads are apportioned to subsidiaries on estimated basis. Direct expenses are booked to respective subsidiaries.

12.3 Interest on amount recoverable from Subsidiaries is accounted for at the rate of interest applicable for project loan / scheme (generation) to state sector borrower (category A) as per the policy of the Company.

12.4 Amounts received by subsidiaries as commitment advance from power procurers are parked with the Company as inter-corporate loans and interest is provided on unused portion of these loans at the mutually agreed interest rates.

12.5 Request for Qualification (RFQ) document / Request for Proposal (RFP) document developed for subsidiaries (incorporated for UMPP) are provided to subsidiary companies at a price equivalent to sale proceeds of RFQ / RFP document received by the subsidiary companies from the prospective bidders. The same is accounted for as income of the company on receipt from subsidiary company.

12.6 The Company incurs expenditure for development work in the UMPPs. The expenditure incurred is shown as amount recoverable from the respective subsidiaries set up for development of UMPPs. Provisioning / write off is considered to the extent not recoverable, when an UMPP is abandoned by the Ministry of Power, Government of India.

13 EMPLOYEE BENEFITS

13.1 Provident Fund, Gratuity, Pension Fund and Post Retirement Benefits

Company's contribution paid / payable during the financial year towards Provident Fund and pension fund are charged in the statement of Profit and Loss. The Company's obligation towards gratuity to employees and post retirement benefits such as medical benefits, economic rehabilitation benefit, and settlement allowance after retirement are actuarially determined and provided for as per Accounting Standard – 15 (Revised).

13.2 Other Employee Benefits

The Company's obligation towards sick leave, earned leave, service award scheme are actuarially determined and provided for, as per Accounting Standard – 15 (Revised).

14 INCOME TAX

14.1 Income Tax comprising of current tax is determined in accordance with the applicable tax laws and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period) in accordance with Accounting Standard – 22 on Accounting for Taxes on Income.

Deferred tax charge or credit and corresponding deferred tax liabilities or assets are recognized using tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred Tax Assets are recognized and carried forward to the extent there is a reasonable certainty that sufficient future taxable income will be available against which such Deferred Tax Assets can be realized.

14.2 Since the Company has passed a Board resolution that it has no intention to make withdrawal from the Special Reserve created and maintained under section 36(1)(viii) of the Income Tax Act, 1961, the special reserve created and maintained is not capable of being reversed and thus it becomes a permanent difference. The Company does not create any deferred tax liability on the said reserve in accordance with the clarification of the Accounting Standard Board of the Institute of Chartered Accountants of India.

15 CASH FLOW STATEMENT

Cash flow statement is prepared in accordance with the indirect method prescribed in Accounting Standard – 3 on Cash Flow Statement.

Part – C

OTHER NOTES ON ACCOUNTS

1. The Company is a government company engaged in extending financial assistance to power sector.

2. Contingent liabilities:

(a) (₹ in crore)

S.No	Particulars	Amount as on 31.03.2013	Amount as on 31.03.2012
1.	Default guarantees issued in foreign currency - US $ 7.54 million (as on 31.03.2012 US $ 10.94 million)	**41.34**	56.40
2.	Guarantees issued in domestic currency	**335.57**	371.93
3.	Claims against the Company not acknowledged as debts	**0.04**	0.00
4.	Outstanding disbursement commitments to the borrowers by way of Letter of Comfort against loans sanctioned	**4,247.61**	5,730.38
	Total	**4,624.56**	**6,158.71**

(b) Additional demands raised by the Income Tax Department totaling to ₹ 55.93 crore (as on 31.03.2012 ₹ 40.01 crore) of earlier years are being contested. Further, the Income Tax Department has filed appeals before ITAT against the orders of CIT(A) allowing relief totaling to ₹ 67.96 crore (as on 31.03.2012 ₹ 65.03 crore). The same are being contested. The Management does not consider it necessary to make provision, as the probability of tax liability devolving on the Company is negligible.

3. Estimated amount of contract remaining to be executed on account of capital contracts, not provided for, is Nil crore (as on 31.03.2012 ₹ 0.57 crore).

4. Additional demands raised by the Income Tax Department (net of relief granted by Appellate Authorities) amounting to ₹ 31.24 crore for Assessment Years 2001-02 to 2010-11 have been provided for and are being contested by the Company.

5. In line with circular No. 6 / 3 / 2001 – CL.V dated 18.04.2002 of the Government of India, then Ministry of Law, Justice Company Affairs, and Department of Company Affairs, the Company had been creating till FY 2011-12, Debenture Redemption Reserve (DRR) upto 50% of the value of, debentures issued through public issue, over the maturity period of such debentures and no DRR in case of privately placed debentures.

In recent circular no 11/02/2012-CL-V(A) dated 11.02.2013, MoCA (Ministry of Corporate Affairs) has prescribed that adequacy of DRR will be 25% of the value of debentures issued through public issue and no DRR is required in the case of privately placed debentures.

In this regard, the Company has requested the MoCA for clarification, which is awaited. Pending receipt of clarification, the Company has created and maintained DRR in line with the circular dated 18.04.2002.

6. Foreign currency actual outgo and earning:

(₹ in crore)

S. No.	Description	FY ended 31.03.2013	FY ended 31.03.2012
A.	**Expenditure in foreign currency**		
i)	Interest on loans from foreign institutions	**187.78**	159.37
ii)	Financial & Other charges	**74.88**	11.08
iii)	Traveling Expenses	**0.13**	0.21
iv)	Training Expenses	**0.11**	0.12
B.	**Earning in foreign currency**	**Nil**	Nil

7.1 Related party disclosures:

Key managerial personnel:

Name of the key managerial personnel	
Shri Satnam Singh, CMD	(with effect from 01.08.2008)
Shri M K Goel, Director	(with effect from 27.07.2007)
Shri R. Nagarajan, Director	(with effect from 31.07.2009)
Shri A K Agarwal, Director	(with effect from 13.07.2012)

Managerial remuneration:

(₹ in crore)

	Chairman & Managing Director		**Other Directors**	
	For FY ended 31.03.2013	**For FY ended 31.03.2012**	**For FY ended 31.03.2013**	**For FY ended 31.03.2012**
Salaries and allowances	0.51	0.42	1.00	0.93
Contribution to provident fund and other welfare fund	0.04	0.02	0.09	0.05
Other perquisites / payments	0.09	0.13	0.24	0.39
Total	**0.64**	**0.57**	**1.33**	**1.37**

In addition to the above perquisites, the Chairman & Managing Director and other Directors have been allowed to use staff car including private journey up to a ceiling of 1,000 kms per month on payment of ₹ 2,000/- per month (₹ 780/- per month till 20.01.2013).

7.2 Investment in share capital of companies incorporated in India as subsidiaries / joint venture companies including companies promoted as Special Purpose Vehicles (SPV) for ultra-mega power projects are given below:-

SL	**Name of the companies**	**Date of investment**	**No. of shares subscribed**	**% of ownership**	**Amount (₹ in crore)**
A	**Subsidiary Company (i)**				
1.	PFC Consulting Limited	09.04.2008	50,000	100%	0.05
2. (a)	PFC Green Energy Limited (Equity Shares) (ii)	29.07.2011 08.12.2011 29.03.2012 21.03.2013	50,000 44,50,000 4,90,000 2,10,00,000	100%	25.99
(b)	PFC Green Energy Limited (Preference Shares) (ii)	21.03.2013	8,40,00,000	100%	84.00
3.	PFC Capital Advisory Services Ltd (iii)	01.09.2011	1,00,000	100%	0.10
4	Power Equity Capital Advisors (Private) Limited (iv)	15.04.2008 11.10.2011	15,000 35,000	100%	0.05
	Sub-Total (A)		**11,01,90,000**		**110.19**
B	**Subsidiary Companies promoted as SPVs for Ultra Mega Power Projects**				
1.	Coastal Maharashtra Mega Power Limited	05.09.2006	50,000	100%	0.05
2.	Orissa Integrated Power Limited	05.09.2006	50,000	100%	0.05
3.	Coastal Karnataka Power Limited	14.09.2006	50,000	100%	0.05
4.	Coastal Tamil Nadu Power Limited	31.01.2007	50,000	100%	0.05
5.	Chhattisgarh Surguja Power Limited	31.03.2008	50,000	100%	0.05
6.	Sakhigopal Integrated Power Limited	27.01.2010	50,000	100%	0.05

7.	Ghogarpalli Integrated Power Limited	27.01.2010	50,000	100%	0.05
8.	Tatiya Andhra Mega Power Limited	27.01.2010	50,000	100%	0.05
9.	Deoghar Mega Power Limited	30.07.2012	50,000	100%	0.05
	Sub-Total (B)		**4,50,000**		**0.45**
C	**Joint venture Companies (i)**				
1	National Power Exchange Limited (v)	18.12.2008 03.09.2010	8,33,000 13,54,015	16.66%	0.83 1.36
2.	Energy Efficiency Services Limited (vi)	21.01.2010 26.03.2013	6,25,000 2,18,75,000	25%	0.63 21.87
	Sub-Total (C)		**2,46,87,015**		**24.69**
	TOTAL (A) + (B) + (C)		**13,53,27,015**		**135.33**

(i) The financial statements are consolidated as per Accounting Standard 21 – Consolidated Financial Statements, Accounting Standard 27 – Financial Reporting of Interests in Joint Ventures and Accounting Standard – 23 Accounting For Investment in Associates in Consolidated Financial Statements.

(ii) PFC Green Energy Ltd. (PFCGEL) was incorporated on 30.03.2011 as a wholly owned subsidiary of the Company to extend finance and financial services to renewable and non-conventional sources of energy. The authorized share capital of PFCGEL is ₹ 1,200.00 crores consisting of 100 crore equity shares of ₹ 10/- each and 20 crore preference shares of ₹ 10/- each. The paid-up share capital of the company as on March 31st, 2013 is ₹ 109.99 crore consisting ₹ 25.99 crore of equity share capital (Face value - ₹ 10/- each) and ₹ 84.00 crore of preference share capital (Face value - ₹ 10/- each). The certificate of commencement of business has been received on 30.07.2011. The company received its certificate of registration (CoR) to function as Non- Banking Financial Company (NBFC) on October 01, 2012. The company has started its commercial operation during FY 2012-13.

(iii) PFC Capital Advisory Services Limited (PFCCAS) was incorporated on 18.07.2011 as a wholly owned subsidiary of the Company for providing debt syndication in the areas of power, energy, infrastructure and other industries. The authorized share capital of PFCCAS is ₹ 1.00 crore and paid up share capital of the company is ₹ 0.10 crore The certificate of commencement of business has been received on 02.09.2011. The company started its commercial operation during FY 2011-12.

(iv) Power Equity Capital Advisors (Private) Limited (PECAP), has become wholly owned subsidiary of the Company on 11.10.2011 after the Company acquired, at par, the remaining 70% ownership from the erstwhile individual owners.

(v) National Power Exchange Limited (NPEL) have been jointly promoted by Power Finance Corporation Limited (PFC), NTPC Limited, NHPC Limited and Tata Consultancy Services Limited (TCS) for carrying out the business of providing a platform for trading of power through an organized exchange. NPEL has not commenced its operation.

(vi) Energy Efficiency Services Limited (EESL) has been jointly promoted by PFC, NTPC, PGCIL and Rural Electrification Corporation Limited (REC) with equal participation in equity capital for implementing energy efficiency projects. Further, the Company has paid ₹ 24.375 crore (₹ 10.75 crore on 31.12.2010 and ₹ 13.63 crore on 27.01.2011) towards additional subscription to equity shares. EESL has allotted equity shares amounting to ₹ 21.875 crore on 26.03.2013 and refunded ₹ 2.50 crore.

7.3 The Company's share of assets, liabilities, contingent liabilities and capital commitment as on 31.03.2013 and income and expenses for the period in respect of joint venture entities based on audited accounts are given below:

(₹ in crore)

SL	Particulars	As at 31.03.2013			As at 31.03.2012		
		NPEL	**EESL**	**Total**	**NPEL**	**EESL**	**Total**
	Ownership (%)	**16.66**	**25.00**		16.66	25	
A	Assets						
	- Non-Current Assets	**0.00**	**0.25**	**0.25**	0.01	0.09	0.10
	- Current assets	**1.35**	**29.12**	**30.47**	1.45	31.08	32.53
	Total	**1.35**	**29.37**	**30.72**	**1.46**	**31.17**	**32.63**
B	Liabilities						
	- Non-Current liabilities	**-**	**0.02**	**0.02**	-	0.00	0.00
	- Current Liabilities	**0.23**	**3.47**	**3.70**	0.04	4.37	4.41
	Total	**0.23**	**3.49**	**3.72**	**0.04**	**4.37**	**4.41**
C	Contingent liabilities	**0.00**	**0.00**	**0.00**	0.01	0.00	0.01
D	Capital commitments	**-**	**-**	**-**	-	-	-
		During the FY ended 31.03.2013			**During the FY ended 31.03.2012**		
E	Income	**0.12**	**3.63**	**3.75**	0.12	3.17	3.29
F	Expenses	**0.41**	**1.28**	**1.69**	0.34	1.17	1.51

7.4 The details of amount recoverable (including interest thereon) from the respective subsidiaries are given below:

(₹ in crore)

Name of the Subsidiary Companies	Amount as on 31.03.2013	Amount as on 31.03.2012	Maximum during FY 2012-13	Maximum During FY 2011-12
Coastal Maharashtra Mega Power Limited	**7.00**	5.72	**7.00**	5.72
Orissa Integrated Power Limited	**90.31**	73.21	**90.31**	73.21
Coastal Karnataka Power Limited	**2.80**	2.40	**2.80**	2.40
Coastal Tamil Nadu Power Ltd.	**40.41**	29.75	**40.41**	29.75
Chhattisgarh Surguja Power Limited	**60.50**	50.85	**60.50**	50.85
Sakhigopal Integrated Power Company Limited	**3.26**	1.16	**3.26**	1.16
Ghogarpalli Integrated Power Company Limited	**2.89**	0.90	**2.89**	0.90
Tatiya Andhra Mega Power Limited	**9.84**	7.71	**9.84**	7.71
Deoghar Mega Power Ltd	**2.43**	0.00	**2.43**	0.00
PFC Green Energy Ltd.	**0.00**	0.05	**0.00**	2.25
PFC Capital Advisory Services Limited	**0.10**	0.01	**0.10**	0.04
Total	**219.54**	**171.76**	**219.54**	**173.99**

7.5 The details of amounts payable to subsidiaries (including interest) in respect of amounts contributed by power procurers and other amounts payable are given below:

(₹ in crore)

Name of the subsidiary companies	Amount as on 31.03.2013	Amount as on 31.03.2012	Maximum during FY 2012-13	Maximum During FY 2011-12
PFC Consulting Limited (PFCCL) *	**3.54**	3.09	**3.54**	3.14
PFC Green Energy Ltd.	**0.03**	0.00	**(0.05)**	0.00
Coastal Maharashtra Mega Power Limited	**52.97**	49.39	**52.97**	49.39
Orissa Integrated Power Limited	**62.57**	57.49	**62.57**	57.49
Coastal Tamil Nadu Power Limited	**58.92**	54.35	**58.92**	54.35
Chhattisgarh Surguja Power Limited	**56.17**	51.08	**56.17**	51.08
Sakhigopal Integrated Power Company Limited	**20.69**	19.23	**20.69**	19.23
Ghogarpalli Integrated Power Company Limited	**19.27**	17.91	**19.27**	17.91
Tatiya Andhra Mega Power Limited	**25.02**	23.02	**25.02**	23.02
Total	**299.18**	**275.56**	**299.10**	**275.61**

7.6 (i) Investment in "Small is Beautiful" Fund: -

The Company has outstanding investment of ₹ 7.68 crore (as on 31.03.2012 ₹ 7.83 crore) in units of Small is Beautiful Fund. The face value of the Fund is ₹ 10 per unit. The NAV as on 31.03.2012 was ₹ 10.33 per unit and as on 31.03.2013 is ₹ 9.77 per unit. As investment in Small is Beautiful Fund is long term investment, the fluctuation in NAV in the current scenario is considered as temporary.

(ii) Investment in equity (unquoted) in Power Exchange India Limited:-

Power Exchange India Ltd. (PXIL) has been promoted by National Stock Exchange (NSE) and National Commodity and Derivatives Exchange Limited (NCDEX). The authorized share capital is ₹ 100 crore consisting of 80 crore equity shares of ₹ 10/- each and 20 crore preference shares of ₹ 10/- each as on 31.03.2013. The paid up equity share capital of PXIL is ₹ 46.05 crore, as on 31.03.2013. The Company has subscribed ₹ 2.80 crore of the paid up capital of PXIL.

8. Interest Differential Fund (IDF) – KFW

The agreement between KFW and PFC provides that the IDF belongs to the borrowers solely and will be used to cover the exchange risk variations under this loan and any excess will be used in accordance with the agreement. The balance in the IDF fund has been kept under separate account head titled as Interest Differential Fund – KFW and shown as a liability. The total fund accumulated as on 31.03.2013 is ₹ 54.73 crore (as on 31.03.2012 ₹ 52.01crore), after transferring exchange difference of ₹ 15.21 crore (as on 31.03.2012 ₹ 15.66 crore).

9. Foreign currency liabilities not hedged by a derivative instrument or otherwise:-

Liabilities in Foreign Currencies	Amount (in millions)	
	31.03.2013	31.03.2012
USD	**805.90**	392.49
EURO	**22.80**	24.73
JPY	**41,643.20**	41,643.20

10. (a) Asset under finance lease after 01.04.2001:

(i) The gross investment in the leased assets and the present value of the minimum value receivable at the balance sheet date and the value of unearned financial income are given in the table below:

The future lease rentals are given below:-

(₹ in crore

Particulars	As on 31.03.2013	As on 31.03.2012
Total of future minimum lease payments (Gross Investments)	**500.33**	571.09
Present value of lease payments	**285.07**	326.58
Unearned finance income	**215.26**	244.51
Maturity profile of total of future minimum lease payments (Gross Investment)		
Not later than one year	**70.77**	70.77
Later than one year and not later than 5 years	**127.55**	172.61
Later than five years	**302.01**	327.71
Total	**500.33**	**571.09**
Break up of present value of lease payments		
Not later than one year	**45.93**	41.51
Later than one year and not later than 5 years	**53.44**	90.75
Later than five years	**185.70**	194.32
Total	**285.07**	**326.58**

(ii) The Company had sanctioned an amount of ₹ 88.90 crore in the year 2004 as finance lease for financing wind turbine generator (commissioned on 19.07.2004). The sanction was reduced to ₹ 88.85 crore in December 2006. The gross investment stood at the level of ₹ 18.11 crore as on 31.03.2013. The lease rent is to be recovered within a period of 15 years, starting from 19.07.2004, which comprises of 10 years as a primary period and 5 years as a secondary period.

(iii) The Company had sanctioned an amount of ₹ 98.44 crore in the year 2004 as finance lease for financing wind turbine generator (commissioned on 18.5.2004). The gross investment stood at ₹ 17.42 crore as on 31.03.2013. The lease rent is to be recovered within a period of 20 years, starting from 18.05.2004, which comprises of 10 years as a primary period and a maximum of another 10 years as a secondary period.

(iv) The Company had sanctioned an amount of ₹ 93.51 crore in the year 2004 as finance lease for financing wind turbine generator (commissioned on 09.06.2005). The gross investment stood at ₹ 34.28 crore as on 31.03.2013. The lease rent is to be recovered within a period of 19 years 11 months, starting from 09.06.2005, which comprises of 10 years as a primary period and a maximum of 9 years and 11 months as a secondary period.

(v) The Company had sanctioned an amount of ₹ 228.94 crore in the year 2008 as finance lease for financing wind turbine generator (commissioned on 18.05.2011). The gross investment stood at ₹ 430.52 crore as on 31.03.2013. The lease rent is to be recovered within a period of 25 years, starting from 01.01.2012, which comprises of 18 years as a primary period and a maximum of 7 years as a secondary period.

b) Operating Lease:

The Company's operating leases consists:-

Premises for offices and for residential use of employees are lease arrangements, and are usually renewable on mutually agreed terms, and are cancellable. Rent for residential accommodation of employees include ₹ 3.84 crore (during FY ended 31.03.2012 ₹ 6.55 crore) towards lease payments, net of recoveries in respect of premises for residential use of employees. Lease payments in respect of premises for employees are shown as rent for residential accommodation of employees in Note Part A 16 – Employee Benefit Expenses. Lease payments in respect of premises for offices are shown as office rent in Note Part A 17 – Other Expenses.

11. Subsidy under Accelerated Generation & Supply Programme (AG&SP) :

(i) The Company claimed subsidy from Govt. of India at net present value calculated at indicative interest rates in accordance with the GOI's letter vide D.O.No.32024 / 17 / 97 – PFC dated 23.09.1997 and O.M.No.32024 / 23 / 2001 – PFC dated 07.03.2003, irrespective of the actual repayment schedule, moratorium period and duration of repayment. The amount of interest subsidy received and to be passed on to the borrower is retained as Interest Subsidy Fund Account. The impact of difference between the indicative rate and period considered at the time of claims and at the time of actual disbursement can be ascertained only after the end of the respective schemes. However on the basis of the projections made for each project (based upon certain assumptions that these would remain same over the projected period of each loan / project), the Company estimated the net excess amount of ₹ 5.69 crore and ₹ 68.30 crore as at 31.03.2013 for IX and X Plan, respectively under AG&SP schemes, and there is no shortfall. This net excess amount is worked out on overall basis and not on individual basis and may vary due to change in assumptions, if any, during the projected period such as changes in moratorium period, repayment period, loan restructuring, pre-payment, interest rate reset etc. Any excess / shortfall in the interest subsidy fund will be refunded or adjusted / charged off on completion of the respective scheme.

(ii) The balance under the head Interest Subsidy Fund shown as liability, represents the amount of subsidy received from Ministry of Power, Govt. of India which is to be passed on to the borrowers against their interest liability arising in future, under Accelerated Generation & Supply Programme (AG&SP), which comprises of the following : -

(₹ in crore)

Particulars	As on 31.03.2013	As on 31.03.2012
Opening balance of Interest Subsidy Fund	**376.21**	451.87
Add : - Received during the period : - Interest credited during the period : - Refund by the borrower due to non – commissioning of project in time	**--** **18.99** **--**	-- 36.01 17.65
Less : Interest subsidy passed on to borrowers Refunded to MoP: (a) Estimated net excess against IX Plan (b) Due to non- commissioning of Project in time (c) Estimated net excess against X Plan	**49.42** **--** **--** **200.00**	77.67 34.00 17.65
Closing balance of interest subsidy fund	**145.78**	**376.21**

12. The Company had exercised the option under para 46A of the amended AS-11 'The Effects of Changes in Foreign Exchange Rates' to amortize the exchange differences on the long term foreign currency monetary items over their tenure. Consequently, as on 31.03.2013, ₹ 477.97 crore (as on 31.03.2012 ₹ 515.41 crore) has been carried forward in the Foreign Currency Monetary Item Translation Difference Account (FCMITDA) and shown on the asset side of the balance sheet, as a separate line item.

As per the recent announcement dated 30.03.2013 of the ICAI, the debit or credit balance in FCMITDA should be shown on the "Equity and Liabilities" side of the balance sheet under the head "Reserve and Surplus", as a separate line item.

The Company has requested (vide letter dated 09.05.2013) for clarification from the Government of India, Ministry of Corporate Affairs (MoCA) on the applicability of ICAI announcement. The clarification is awaited.

Pending receipt of clarification from the MoCA, the FCMITDA is continued to be shown on the asset side of the balance sheet, as a separate line item, in line with presentation made in previous year.

13. (i) The Company has been designated as the Nodal Agency for operationalisation and associated service for implementation of the Re-structured Accelerated Power Development and Reforms Programme (R – APDRP) during XI Plan by the Ministry of Power, Government of India (GOI) under its overall guidance.

Projects under the scheme are being taken up in two parts. Part – A includes the projects for establishment of baseline data and IT applications for energy accounting as well as IT based customer care centers. Part – B includes regular distribution strengthening projects. GoI provides 100% loan for Part A and up to 25% (up to 90% for special category States) loan for Part – B. Balance funds for Part – B projects can be raised by the utilities from PFC / REC / multi-lateral institutions and / or own resources. The loans under Part – A alongwith interest thereon is convertible into grant as per R – APDRP guidelines. Similarly, upto 50% (up to 90% for special category states) of the loan against Part –B project would be convertible in to grant as per R – APDRP guidelines. Enabling activities of the programe are covered under Part – C.

The loans under R – APDRP are routed through the Company for disbursement to the eligible utilities. The amount so disbursed but not converted in to grants as per R – APDRP guidelines will be repaid along with interest to the GoI on receipt from the borrowers.

The details are furnished below :

(₹ in crore)

Particulars	Amount recoverable from borrowers & payable to GOI		R – APDRP Fund		Amount payable to GOI (Interest earned on Fixed Deposit)	
	As at 31.03.2013	As at 31.03.2012	As at 31.03.2013	As at 31.03.2012	As at 31.03.2013	As at 31.03.2012
Opening balance	5,502.88	3,902.88	0.00	0.00	11.09	6.88
Additions during the year	1,217.45	1,600.00	1,217.45	1,600.00	1.03	4.17
Disbursements / refunds / changes during the year	25.70	---	1,217.45	1,600.00	11.93	---
Total	**6,694.63**	**5,502.88**	**0.00**	**0.00**	**0.19**	**11.05**
Interest accrued but not due	1,327.94	775.24	**0.00**	**---**	0.06	0.04
Closing balance	**8,022.57**	**6,278.12**	**0.00**	**0.00**	**0.25**	**11.09**

(ii) As on 31.03.2013, the total amount of nodal agency fee and reimbursement of expenditure received / receivable by PFC has been as under:-

(₹ in crore)

	During the FY ended 31.03.2013	During the FY ended 31.03.2012	Cumulative up-to	
			31.03.2013	31.03.2012
Nodal agency fee*	16.52	39.15	145.29	128.77
Reimbursement of expenditure	21.81	22.66	83.67	61.86
Total	**38.33**	**61.81**	**228.96**	**190.63**

* Exclusive of Service Tax

(iii) As per Office Memorandum No. 14 / 03 / 2008 – APDRP dated 20th August, 2010 of the MoP, GoI, the total amount receivable against the nodal agency fee plus the reimbursement of actual expenditure will not exceed ₹ 850 crore or 1.7 % of the likely outlay under Part A & B of R – APDRP, whichever is less.

14. The net deferred tax liabilities of ₹ 219.79 crore (as on 31.03.2012 ₹ 87.43 crore) have been computed as per Accounting Standard 22 Accounting for Taxes on Income.

The breakup of deferred tax liabilities is given below: -

Description	As on 31.03.2013	As on 31.03.2012
(a) Deferred Tax Asset (+)		
(i) Provision for expenses not deductible under Income Tax Act	**7.82**	16.49
(b) Deferred Tax Liabilities (-)		
(i) Depreciation	**-1.04**	-0.96
(ii) Lease income on new leases	**-95.00**	-101.58
(iii) Amortization	**-1.29**	-1.38
(iv) Unamortized Exchange Loss (Net)	**-130.28**	0.00
Net Deferred Tax liabilities (-)/Assets (+)	**-219.79**	-87.43

15. In compliance with Accounting Standard – 20 on Earning Per Share issued by the Institute of Chartered Accountants of India, the calculation of Earning Per Share (basic and diluted) is as under:-

Particulars	FY ended 31.03.2013	FY ended 31.03.2012
Net Profit after tax used as numerator (₹ in crore)	**4,419.60**	3,031.74
Weighted average number of equity shares used as denominator (basic)	**131,99,82,855**	129,50,00,707
Weighted average number of equity shares used as denominator (diluted)	**131,99,90,939**	129,50,00,707
Earning per share (basic & diluted) (₹)	**33.48**	23.41
Face value per share (₹)	**10**	10

16. The Company has no outstanding liability towards Micro, Small and Medium enterprises.

17. Leasehold land is not amortized, as it is a perpetual lease.

18. Liabilities and assets denominated in foreign currency have generally been translated at TT selling rate of SBI at year end as given below: -

S. No.	Exchange Rates	31.03.2013	31.03.2012
1	USD / INR	54.80	51.5300
2	JPY / INR	0.5847	0.6318
3	EURO / INR	70.28	69.0500

In-case of specific provision in the loan agreement for a rate other than SBI TT selling rate, the rate has been taken as prescribed in the respective loan agreement.

19.1 The Company has made the public issue of 69,97,468 tax free bonds (secured) tranche - I at the face value of ₹ 1,000 each during the current financial year and has mobilized ₹ 699.75 crore. The security has been created on 03-Jan-2013 and bonds have been allotted on 04-Jan-2013. The bonds have been listed in the BSE on 10-Jan-2013. The proceeds of the bond issue have been utilized for the purpose mentioned in the offer document.

19.2 The Company has made public issue of 16,53,680 tax free bonds (secured) tranche - II at the face value of ₹ 1,000 each during the current financial year and has mobilized ₹ 165.37 crore. The Bonds have been allotted on 28-Mar-2013 and have been listed in the BSE on 03-April-2013. The security has been created in April 2013. As on 31.03.2013, the proceeds of the bond issue were in Public Issue Account of the escrow collection banker. Subsequent to listing and security creation, the bonds issue proceeds have been transferred in April 2013 by the escrow collection banker to the regular current account of the Company and the Company has utilized the proceeds in April 2013 for the purpose mentioned in the offer document.

20. Disclosures as per Accounting Standard –15 :-

A. <u>Provident fund</u>

The Company pays fixed contribution to provident fund at prescribed rates to a separate trust, which invests the funds in permitted securities. The contribution to the fund for the period is recognized as expense and is charged to the statement of profit and loss account. The obligation of the Company is to make such fixed contribution and to ensure a minimum rate of return to the members as specified by GoI. Any short fall for payment of interest to members as per specified rate of return has to be compensated by the Company. The Company estimates that no liability will take place in this regard in the near future and hence no further provision is considered necessary.

B. <u>Gratuity</u>

The Company has a defined gratuity scheme and is managed by a separate trust. The provision for the same has been made on actuarial valuation based upon total number of years of service rendered by the employee subject to a maximum amount of ₹10 lakh.

C. <u>Pension</u>

The Company has a defined contribution pension scheme introduced in line with guidelines of the Department of Public Enterprise (DPE) and is managed by a separate trust. Employer contribution to the fund has been contributed on monthly basis. Pension is payable to the employee of the corporation as per the scheme.

D. <u>Post Retirement Medical Scheme (PRMS)</u>

The Company has Post-Retirement Medical Scheme (PRMS), under which retired employees and their dependent family member are provided with medical facilities in empanelled hospitals. They can also avail reimbursement of out-patient treatment subject to a ceiling fixed by the Company.

E. <u>Terminal Benefits</u>

Terminal benefits include settlement in home town for employees & their dependents.

F. <u>Leave</u>

The Company provides for earned leave benefit and half-pay leave to the credit of the employees, which accrue on half yearly basis @ 15 days and 10 days, respectively. Maximum of 300 days of earned leave can be accumulated during the service of an employee which can be availed or encashed. There is no limit in accumulation of half pay leave during the service. However, at the time of separation / superannuation, half pay leave and earned leave can be encashed subject to limit of 300 days. The liability for the same is recognized, based on actuarial valuation.

The above mentioned schemes (D, E and F) are unfunded and are recognized on the basis of actuarial valuation.

The summarised position of various defined benefits recognized in the statement of profit and loss account, balance sheet are as under {Figures in brackets ( ) represents to as on 31.03.2012}

(i) Expenses recognised in Statement of Profit and Loss Account

(₹ in crore)

	Gratuity	PRMS	Leave
Current service cost	1.18 (0.99)	0.36 (0.29)	1.89 (1.57)
Interest cost on benefit obligation	1.12 (1.08)	0.67 (0.61)	1.42 (1.31)
Expected return on plan assets	-1.22 (-0.94)	0.00 (0.00)	0.00 (0.00)
Net actuarial (gain) / loss recognised in the year	0.40 (-0.49)	0.46 (0.60)	2.37 (0.46)
Expenses recognised in Statement of Profit & Loss Account	*1.48 (0.64)	1.49 (1.50)	*5.68 (3.34)

(*) Includes ₹ 0.13 crore (as on 31.03.2012 ₹ 0.13 crore) and ₹ 0.58 crore (as on 31.03.2012 ₹ 0.30 crore) and ₹ 0.04 crore (as on 31.03.2012 ₹ 0.13 crore) for gratuity, leave and PRMS respectively allocated to subsidiary companies.

ii) The amount recognized in the Balance Sheet

(₹ in crore)

	Gratuity	PRMS	Leave
Present value of obligation as at 31.03.2013 (i)	16.16 (14.03)	9.50 (8.33)	20.39 (17.74)
Fair value of plan assets at 31.03.2013 (ii)	14.67 (12.95)	0.00 (0.00)	0.00 (0.00)
Difference (ii) – (i)	-1.48 (-1.08)	-9.50 (-8.33)	-20.39 (-17.74)
Net asset / (liability) recognized in the Balance Sheet	-1.48 (-1.08)	-9.50 (-8.33)	-20.39 (-17.74)

iii) Changes in the present value of the defined benefit obligations

(₹ in crore)

	Gratuity	PRMS	Leave
Present value of obligation as at 01.04.2012	14.03 (12.69)	8.33 (7.13)	17.74 (15.47)
Interest cost	1.12 (1.08)	0.67 (0.61)	1.42 (1.31)
Current service cost	1.18 (0.99)	0.36 (0.29)	1.89 (1.57)
Benefits paid	-0.62 (-0.40)	-0.32 (-0.30)	-3.03 (-1.07)
Net actuarial (gain)/loss on obligation	0.45 (-0.33)	0.46 (0.60)	2.37 (0.46)
Present value of the defined benefit obligation as at 31.03.2013	16.16 (14.03)	9.50 (8.33)	20.39 (17.74)

iv) Changes in the fair value of plan assets

(₹ in crore)

	Gratuity	PRMS	Leave
Fair value of plan assets as at 01.04.2012	14.03 (10.57)	0.00 (0.00)	0.00 (0.00)
Expected return on plan assets	1.22 (0.94)	0.00 (0.00)	0.00 (0.00)
Contributions by employer	0.00 (1.68)	0.00 (0.00)	0.00 (0.00)
Benefit paid	-0.62 (-0.40)	0.00 (0.00)	0.00 (0.00)
Actuarial gain / (loss)	0.04 (0.16)	0.00 (0.00)	0.00 (0.00)
Fair value of plan assets as at 31.03.2013	14.67 (12.95)	0.00 (0.00)	0.00 (0.00)

v) One percent increase / decrease in the inflation rate would impact liability for medical cost of PRMS, as under:-

Cost increase by 1% ₹ 2.09 crore
Cost decrease by 1% ₹ -1.31 crore

vi) During the period, the Company has provided liability towards contribution to the Gratuity Trust of ₹ 1.48 crore, to PRMS of ₹ 1.62 crore, to leave ₹ 6.04 crore and to pension ₹ 0.69 crore (during the FY ended 31.03.2012 towards contribution to the Gratuity Trust of ₹ 0.64 crore, to PRMS of ₹ 1.50 crore, to leave ₹ 3.34 crore and to pension ₹ 2.54 crore).

G. Other Employee Benefits:-

During the period, provision of ₹ 0.08 crore (during the FY ended 31.03.2012 ₹ -0.01 crore) has been made for Economic Rehabilitation Scheme for Employees and provision of ₹ 0.37 crore has been made for Long Service Award for Employees (during the FY ended 31.03.2012 ₹ 0.58 crore) on the basis of actuarial valuation made at the end of the year by charging / crediting the statement of profit and loss account.

H. Details of the Plan Asset:-

The details of the plan assets at cost, as on 31.03.2013 are as follows:-

(₹ in crore)

SL	Particulars	FY ended 31.03.2013	FY ended 31.03.2012
i)	Government Securities	**8.53**	7.83
ii)	Corporate bonds / debentures	**5.61**	5.12
	Total	**14.14**	**12.95**

I. Actuarial assumptions

Principal assumptions used for actuarial valuation are:-

Method used	Projected Unit Credit Method
Discount rate	8.00 %
Expected rate of return on assets – Gratuity	8.70 %
Future salary increase	6.00 %

The estimates of future salary increases considered in actuarial valuation, take into account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

21.1 Details of provision as required in Accounting Standard – 29, {Figures in brackets ( ) represents to as on 31.03.2012}, are as under :

(₹ in crore)

Provision for	**Opening Balance (as on 1st April of the FY) (1)**	**Addition during the period (2)**	**Paid / adjusted during the period (3)**	**Closing Balance 4 = (1+2-3)**
Post-Retirement Medical Scheme	8.33 (7.13)	1.62 (1.50)	0.45 (0.30)	9.50 (8.33)
Gratuity	0.64 (1.72)	1.48 (0.64)	0.64 (1.72)	1.48 (0.64)
Pension	6.60 (4.06)	0.69 (2.54)	7.14 (0.00)	0.15 (6.60)
Leave Encashment	17.74 (15.47)	6.04 (3.34)	3.39 (1.07)	20.39 (17.74)
Economic Rehabilitation Scheme for employee	1.24 (1.26)	0.08 (-0.01)	0.01 (0.01)	1.31 (1.24)
Bonus / Incentives / Base Line Compensation	26.32 (24.52)	19.50 (17.73)	18.82 (15.93)	27.00 (26.32)
Baggage Allowances	0.07 (0.05)	0.01 (0.02)	0.00 (0.00)	0.08 (0.07)
Service Award	3.33 (2.75)	0.38 (0.58)	0.00 (0.00)	3.71 (3.33)
Income Tax	2,000.83 (2,215.13)	1,547.63 (1,075.78)	128.63 (1,290.08)	3,419.83 (2,000.83)
FBT	0.00 (0.80)	0.00 0.00	0.00 (0.80)	0.00 (0.00)
Proposed Final Dividend	132.00 (197.99)	132.00 (132.00)	132.00 (197.99)	132.00 (132.00)
Proposed Corporate Dividend Tax	21.41 (32.12)	22.43 (21.41)	21.41 (32.12)	22.43 (21.41)

21.2 The Company has formulated a Corporate Social Responsibility (CSR) policy in line with the guidelines issued by the Ministry of Heavy Industries and Public Enterprises (Department of Public Enterprises) vide Office Memorandum F.No.15(3)/2007 -DPE(GM)-GL-99 dated 09.04.2010.

As per the CSR policy of the Company, a minimum of 0.5% of the consolidated profit after tax of the previous year will be allocated every financial year for CSR Activities, and Company was creating CSR provision for this purpose up to FY 2011-12.

Now, the Expert Advisory Committee of the Institute of Chartered Accountants of India (ICAI) has given opinion that unspent expenditure on CSR activities should not be recognized as provision, but a reserve may be created as an appropriation of profits.

Accordingly, CSR provision of ₹ 16.39 crore (amount unspent as at 01.04.2012) has been reversed to the credit of the statement of profit & loss through prior period account, and CSR reserve of ₹ 18.36 crore has been created as appropriation of profit, the details of which are as under:

(₹ in crore)

CSR Reserve	**Amount**
Opening balance	0.00
Add : Appropriation on account of un-spent amount as on 31.03.2012 Less: Amount spent during the year against CSR allocation of earlier years	16.39 9.30
Add : Appropriation during the year on account of un-spent amount (CSR allocation of ₹ 15.29 crore less amount spent ₹ 4.02 crore)	11.27
Closing Balance as on 31.03.2013	18.36

21.3 The Company has formulated a Sustainable Development (SD) policy in line with the guidelines issued by the Ministry of Heavy Industries and Public Enterprises (Department of Public Enterprises) vide Office Memorandum No.3(9)/2010 -DPE(MoU) dated 23.09.2011.

As per the SD policy approved by the Company, a minimum of ₹ 50 lakh plus 0.1% of profit after tax (consolidated) exceeding ₹ 100 crore of the previous year will be allocated every financial year for SD Projects/ Activities. The unspent amount of ₹ 0.49 crore has been appropriated from profits as SD reserve.

22. Board of Directors in its meeting held on 09.11.2012 amended the prudential norms of the Company, subject to approval of Ministry of Power, and accorded approval to create provision on standard assets in phases with effect from FY 2012-13 in 3 year period (i.e. 0.0833% p.a.), in order to bring it to 0.25% by 31.03.2015.

Accordingly, the Company has amended the accounting policy to this effect and has made provision of ₹ 132.79 crore for the FY ended 31.03.2013.

If the company had followed the earlier policy, the net profit for the FY ended 31.03.2013 would have been higher by ₹ 132.79 crore (net of taxes).

The approval for the change in prudential norms by the Ministry of Power, Government of India is under process.

23. (i) During the year, the Company has sent letters seeking confirmation of balances as on 31.12.2012 to the borrowers and confirmation from all, except from two borrowers, have been received.

(ii) There are no unpaid / unclaimed bonds, interests on bonds and dividends, which are over 7 years as on 31.03.2013 (previous period ₹ Nil). However, an amount of ₹ 0.56 crore (previous year ₹ 0.47 crore) remaining unpaid pending completion of transfer formalities by the claimants.

24. The Capital Funds, Risk Weighted Assets and Capital Risk Adjusted Ratio (CRAR) of the Company are given hereunder:-

	Items	FY 2012-13	FY 2011-12
i)	Capital Fund - a. Tier I (₹ in crore)	**22,641.33**	19,544.65
	- b. Tier II (₹ in crore)	**1,541.80**	1,158.61
ii)	Risk weighted assets (₹ in crore)	**1,34,522.65**	1,27,066.12
iii)	CRAR	**17.98%**	16.29%
iv)	CRAR – Tier I Capital	**16.83%**	15.38%
v)	CRAR – Tier II Capital	**1.15%**	0.91%

25. The Company has no exposure to real estate sector as on 31.03.2013.

26. The Company does not have more than one reportable segment in terms of Accounting Standard 17 on Segment Reporting.

27. Previous year's figures have been re-grouped / re-arranged, wherever practicable to make them comparable.

28. Figures have been rounded off to the nearest crore of rupees with two decimals.

Notes at Part A (1 to 18), Part B and Part C form an integral part of Balance Sheet and Statement of Profit & Loss.

For and on behalf of the Board of Directors

MANOHAR BALWANI	R NAGARAJAN	SATNAM SINGH
Company Secretary	Director (Finance)	Chairman and Managing Director

Signed in terms of our report of even date

	For N K Bhargava & Co.	For RAJ HAR GOPAL & Co.
	Chartered Accountants	Chartered Accountants
	Firm Regd. No - 000429N	Firm Regd. No - 002074N
	(N K BHARGAVA)	**(G K GUPTA)**
Place : New Delhi	PARTNER	PARTNER
Date : 30.05.2013	**Membership No - 080624**	**Membership No - 81085**

AUDITORS' REPORT

To the Members of
Power Finance Corporation Limited,

1. We have audited the attached Balance Sheet of Power Finance Corporation Limited as at 31st March, 2012, and also the Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Statement on the Companies (Auditors' Report) Order, 2003 (as amended) issued by the Government of India in terms of sub-section (4A) Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments referred to in paragraph 3 above, we report that:

   a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

   b) In our opinion, proper books of account, as required by law, have been kept by the Company, so far as appears from our examination of those books;

   c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;

   d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

   e) Being a Government Company, pursuant to the Notification No. G.S.R.829 (E), dated 21.10.2003 issued by Department of Company Affairs, Government of India, the provisions of clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956, are not applicable to the Company.

5. In our opinion and to the best of our information and according to the explanations given to us, the said Accounts read with Notes thereon in Part B & C, give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:

   a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2012,

b) in the case of the Statement of Profit and Loss, of the Profit of the Company for the year ended on that date, and

c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Raj Har Gopal & Co.
Chartered Accountants
Firm's Regn. No. : 002074N

G.K.Gupta
Partner
Membership No.: 081085

For N.K.Bhargava & Co.
Chartered Accountants
Firm's Regn. No. : 000429N

N.K.Bhargava
Partner
Membership No.: 080624

Place: New Delhi
Date: 22.05.2012

Annexure to Auditor's Report

(Referred to in Paragraph (3) of our report of even date)

1. (a) The Company has generally maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of available information.

   (b) As explained to us, the management is carrying out the physical verification of fixed assets at the year end in a phased manner. In our opinion, the frequency of physical verification is reasonable having regard to the size of the Company and nature of its assets. As explained to us, no material discrepancies were noticed by the management on such physical verification.

   (c) The Company has not disposed off substantial parts of fixed assets during the year and the going concern status of the Company is not affected.

2. The main object of the company is to provide finance to power projects and does not involve carrying purchase/sale of goods and any inventories; hence clause (ii) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

3. As explained to us, the Company has not taken nor granted any loans, secured or unsecured to/from Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly clauses 4(iii) (a), (b), (c) and (d) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

4. Having regard to the nature of Company's business and based on our scrutiny of Company's records and the information and explanations received by us, we report that Company's activities do not include purchase of inventory and sale of goods. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business with regards to purchase of fixed assets. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls with regard to purchase of fixed assets.

5. Based on the audit procedures applied by us and the information and explanations provided by the management, we are of the opinion that there was no transaction during the year that need to be entered in the register maintained under Section 301 of the Companies Act, 1956.

6. The Company has not accepted any deposits from the public.

7. In our opinion and according to the informations and explanations given to us, the Company has an internal audit system commensurate with the size and nature of its business.

8. The Company is non-banking financial company, the provisions under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 pertaining to maintenance of cost records, does not apply.

9. In respect of statutory dues, on the basis of information and explanations given to us and on the basis of our examination of the records of the company, we report that:

   (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income tax, Wealth tax, etc. as applicable to it and there is no undisputed amounts payable in respect of aforesaid dues outstanding for a period of more than six months as on 31st March, 2012, as per the accounts of the company.

(b) According to the records of the Company, there are no dues of Income tax / Wealth tax / Service tax, etc., which have not been deposited by the Company on account of any dispute, as per the accounts of the Company.

10. The Company has no accumulated losses and has not incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.

11. Based on our audit procedures and according to the information and explanations given to us, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.

12. The Company has generally maintained adequate documents and records in respect of loans granted by it to various State Electricity Boards, State Generation Corporations, State Governments, CPSUs and Independent Power Producers.

13. The Company is neither a chit fund nor a nidhi / mutual benefit fund / society. Hence, the requirements of clause 4(xiii) of the 'Order' do not apply to the Company.

14. As per records of the Company and according to the information and explanations provided by the management, the Company has been maintaining proper and timely records of the transactions and contracts for the dealings or trading in shares, securities, debentures and other investments. As per information and explanations provided we state that, all the Investments have been held by the Company in its own name.

15. The Company has given guarantees in connection with loans taken by others from banks or financial institutions. According to information & explanations given to us we are of the opinion that, the terms and conditions on the guarantee given are not prima-facie prejudicial to the interest of the Company.

16. According to the information and explanations given to us, the term loans taken by the Company have generally been utilised for the purpose for which they were raised.

17. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that no funds raised on short-term basis that have been used for long-term investment by the Company.

18. According to the records of the Company and the information and explanations given to us, the Company has not made any preferential allotment of shares, to parties and Companies covered in the Register maintained under Section 301 of the Companies Act, 1956. Therefore the provisions of clause 4(xviii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

19. According to the information and explanations given to us, the company has created securities/charges in respect of secured bonds issued. However, security creation in respect of infrastructure bonds of ₹30.55 crores is under progress.

20. The company has disclosed the end use of the money raised in Public issue of Infrastructure Bonds and money raised in Public issue of equity shares and the same has been verified and found to be correct.

21. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For Raj Har Gopal & Co. **Chartered Accountants** **Firm's Regn. No. : 002074N**	**For N.K.Bhargava & Co.** **Chartered Accountants** **Firm's Regn. No. : 000429N**
G.K.Gupta **Partner** **Membership No.: 081085**	**N.K.Bhargava** **Partner** **Membership No.: 080624**

Place : New Delhi
Date: 22.05.2012

BALANCE SHEET AS AT 31.03.2012

Description			Note Part A	As at 31.03.2012		As at 31.03.2011	
				(₹ in crore)			
I.	**EQUITY & LIABILITIES**						
	(1)	**Share Holders' Funds**					
	(a)	Share Capital	1	1,319.93		1,147.77	
	(b)	Reserves & Surplus	2	19,387.59	20,707.52	14,034.72	15,182.49
	(2)	**Non-Current Liabilities**					
	(a)	Borrowing					
		Long Term (Secured)	3	5,361.55		235.36	
		Long Term (Un-secured)	3	90,505.43	95,866.98	69,748.67	69,984.03
	(b)	Deferred Tax Liabilities (Net) (Refer Note No. 14 of Part-C - Other Notes on Accounts)			87.43		82.97
	(c)	Other Liabilities	4		550.64		678.38
	(d)	Provisions	5		28.95		25.16
	(3)	**Current Liabilities**					
	(a)	Current Maturity of Long term Borrowing (Unsecured)	3	10,187.73		9,323.50	
	(b)	Short -Term Borrowing (Unsecured)	3	4,071.20		6,291.04	
	(c)	Other Liabilities	4	3,799.68		2,783.10	
	(d)	Provisions	5	274.93	18,333.54	283.57	18,681.21
	Total				135,575.06		104,634.24
II.	**ASSETS**						
	(1)	**Non-current Assets**					
	(a)	Fixed Assets	6				
		(i) Tangible Assets		98.88		94.73	
		Less: Accumulated Depreciation		27.13	71.75	22.95	71.78
		(ii) Intangible Assets		6.86		4.21	
		Less: Accumulated Amortization		2.60	4.26	1.56	2.65
		(iii) Capital Works in Progress			0.45		2.28
	(b)	Non-Current Investments	7		55.34		50.05
	(c)	Loans	8				
		Long Term (Secured)		73,480.17		57,074.51	
		Long Term (Un-Secured)		38,536.75	112,016.92	30,349.18	87,423.69
	(d)	Other Assets	9		101.43		157.00
	(e)	Foreign Currency Monetary Item Translation Difference A/c (Refer Note No. 12 of Part-C - Other Notes on Accounts)			515.41		0.00
	(2)	**Current Assets**					
	(a)	Current Investments	10		3.83		3.83
	(b)	Cash and Bank Balances	11		1,988.20		2,350.26
	(c)	Current Maturity of Long Term Loans	8				
		Secured		9,411.32		6,290.27	
		Un-Secured		2,465.71	11,877.03	3,751.01	10,041.28
	(d)	Short Term Loans	8				
		Secured		2,267.02		500.00	
		Un-Secured		3,910.85	6,177.87	1,605.77	2,105.77
	(e)	Other Assets	9		2,762.57		2,425.65
	Total				135,575.06		104,634.24

Description	Note Part A	As at 31.03.2012	As at 31.03.2011
		(₹ in crore)	
ACCOUNTING POLICIES	**Part B**		
OTHER NOTES ON ACCOUNTS	**Part C**		

Notes from part A to part C form integral part of Accounts.

For and on behalf of the Board of Directors

J S AMITABH	**R NAGARAJAN**	**SATNAM SINGH**
Company Secretary	*Director (Finance)*	*Chairman and Managing Director*

Signed in terms of our report of even date

	For N K Bhargava & Co.	**For RAJ HAR GOPAL & Co.**
	Chartered Accountants	*Chartered Accountants*
	Firm Regd. No - 000429N	*Firm Regd. No - 002074N*
	(N K BHARGAVA)	**(G K GUPTA)**
Place : New Delhi	**PARTNER**	**PARTNER**
Date : 22.05.2012	**Membership No - 080624**	**Membership No - 81085**

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2012

Description		Note Part A	Year ended 31.03.2012		Year ended 31.03.2011	
				(₹ in crore)		
I.	**Revenue from Operations**					
	(a) Interest	12		12,975.70		10,038.87
	(b) Other Financial Services	12		39.15		89.62
II.	**Other Income**					
	Other Income	13		22.26		32.07
III.	**Total (I+II)**			13,037.11		10,160.56
IV.	**EXPENSES**					
	Interest, Finance and Other Charges	14		8,464.66		6,423.90
	Bond Issue expenses	15		196.89		63.05
	Employee benefit expenses	16		72.08		67.09
	Provision for contingencies			142.79		31.79
	Provision for decline in value of investments			(0.02)		(0.06)
	Depreciation and Amortization expenses	6		5.42		5.05
	Other Expenses	17		51.87		25.53
	Prior Period Items (net)	18		(0.83)		0.07
	Total			8,932.86		6,616.42
V.	**Profit before exceptional and extraordinary items and tax (III-IV)**			4,104.25		3,544.14
VI.	**Exceptional items**			0.00		0.00
VII.	**Profit before extraordinary items and tax (V-VI)**			4,104.25		3,544.14
VIII.	**Extraordinary items**			0.00		0.00
IX.	**Profit Before Tax (VII-VIII)**			4,104.25		3,544.14
X.	**Tax Expenses**					
	(1) Current Tax					
	for current year		1,070.87		898.99	
	for earlier years		(2.82)	1,068.05	(10.45)	888.54
	(2) Deferred Tax liability(+) / Asset(-)			4.46		36.02
XI.	**Profit (Loss) for the period from continuing operations (IX-X)**			3,031.74		2,619.58
XII.	**Earnings per equity share: (Refer Note No. 15 of Part-C - Other Notes on Accounts)**					
	(1) Basic			23.41		22.82
	(2) Diluted			23.41		22.82

ACCOUNTING POLICIES	**Part B**
OTHER NOTES ON ACCOUNTS	**Part C**

Notes from part A to part C form integral part of Accounts.

For and on behalf of the Board of Directors

J S AMITABH	**R NAGARAJAN**	**SATNAM SINGH**
Company Secretary	*Director (Finance)*	*Chairman and Managing Director*

Signed in terms of our report of even date

	For N K Bhargava & Co.	**For RAJ HAR GOPAL & Co.**
	Chartered Accountants	*Chartered Accountants*
	Firm Regd. No - 000429N	*Firm Regd. No - 002074N*
	(N K BHARGAVA)	**(G K GUPTA)**
Place : New Delhi	**PARTNER**	**PARTNER**
Date : 22.05.2012	**Membership No - 080624**	**Membership No - 81085**

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

PARTICULARS	Year ended 31.03.2012		Year ended 31.03.2011	
	(₹ in crore)			
I. Cash Flow from Operating Activities:-				
Net Profit before Tax and Extraordinary items . .	4,104.25		3,544.14	
ADD: Adjustments for				
Loss on Sale of Assets (net)	0.02		0.06	
Depreciation / Amortisation	5.42		5.05	
Amortisation of Zero Coupon Bonds	24.48		22.52	
Foreign Exchange Loss/Gain.	147.83		(2.47)	
Dimunition in value of investments.	(0.02)		(0.06)	
Provision for Contingencies	142.79		31.79	
Dividend / Interest and profit on sale of investment.	(2.89)		(3.49)	
Provision for interest under IT Act	4.90		0.22	
Provision for Retirement Benefits/Other Welfare Expenses/Wage revision	3.10		10.68	
Operating profit before working Capital Changes:.	4,429.88		3,608.44	
Increase/Decrease:				
Loans Disbursed (Net)	(30,587.60)		(19,755.37)	
Other Current Assets	(692.00)		(492.16)	
Foreign Currency Monetary Item Translation Difference A/c.	(515.41)		0.00	
Liabilities and provisions.	972.69		901.54	
Cash flow before extraordinary items	(26,392.44)		(15,737.55)	
Extraordinary items	0.00		0.00	
Cash Inflow/Outflow from operations before Tax .	(26,392.44)		(15,737.55)	
Income Tax paid	(992.68)		(865.72)	
Income Tax Refund	388.21		0.00	
Net Cash flow from Operating Activities		(26,996.91)		(16,603.27)
II. Cash Flow From Investing Activities:				
Sale / decrease of Fixed Assets	0.12		0.64	
Purchase of Fixed Assets	(7.14)		(7.42)	
Increase/decrease in Capital Works in Progress. . . .	1.83		(0.55)	
Investments in Subsidiaries	(5.12)		0.00	
Dividend / Interest and profit on sale of investment.	2.89		3.49	
Other Investments	(34.15)		(22.39)	
Net Cash Used in Investing Activities		(41.57)		(26.23)

PARTICULARS	Year ended 31.03.2012		Year ended 31.03.2011	
		(₹ in crore)		
III. Cash Flow From Financial Activities:				
Issue of Equity Shares	3,413.73		0.00	
Issue of Bonds	33,165.07		14,023.96	
Short Term Loans (Net)	(4,050.00)		3,400.00	
Loan Against Fixed Deposits (Net)	1,830.16		565.92	
Raising of Long Term Loans	2,200.00		7,855.00	
Repayment of Long Term Loans	(3,863.50)		(5,870.00)	
Redemption of Bonds	(5,406.66)		(3,710.91)	
Foreign Currency Loans (Net)	461.46		2,214.60	
Interest Subsidy Fund	(75.66)		(211.62)	
Unclaimed Bonds (Net)	(1.25)		(16.31)	
Payment of Final Dividend (including Corporate Dividend Tax) of Previous year	(230.11)		(200.76)	
Payment of Interim Dividend (including Corporate Dividend Tax) of Current year	(767.03)		(468.44)	
Net Cash in-flow from Financing Activities		26,676.21		17,581.44
Net Increase/Decrease in Cash & Cash Equivalents		(362.27)		951.94
Add : Cash & Cash Equivalents at beginning of the period		2,346.24		1,394.30
Cash & Cash Equivalents at the end of the period		1,983.97		2,346.24
Details of Cash & Cash Equivalents at the end of the period:				
Cheques in hand,Imprest with Postal authority & Balances with Banks		19.76		248.21
Fixed Deposits with Scheduled Banks		1,964.21		2,098.03
		1,983.97		2,346.24

For and on behalf of the Board of Directors

J S AMITABH	**R NAGARAJAN**	**SATNAM SINGH**
Company Secretary	*Director (Finance)*	*Chairman and Managing Director*

Signed in terms of our report of even date

	For N K Bhargava & Co.	**For RAJ HAR GOPAL & Co.**
	Chartered Accountants	*Chartered Accountants*
	Firm Regd. No - 000429N	*Firm Regd. No - 002074N*
	(N K BHARGAVA)	**(G K GUPTA)**
Place : New Delhi	**PARTNER**	**PARTNER**
Date : 22.05.2012	**Membership No - 080624**	**Membership No - 81085**

NOTE - PART A - 1
SHARE CAPITAL

Description	As at 31.03.2012	As at 31.03.2011
	(₹ in crore)	
Authorised :		
2,000,000,000 Equity shares of ₹10/- each (Previous year 2,000,000,000 shares of ₹10/- each)	2,000.00	2,000.00
Issued, subscribed and paid up :		
1,147,766,700 Equity shares of ₹10/- each fully paid-up (Previous year 1,147,766,700 shares of ₹10/- each fully paid up)	1,147.77	1,147.77
Add: 172,165,005 Equity shares of ₹10/- each fully paid-up (previous year Nil) (Refer Note No. 19 of Part-C - Other Notes on Accounts)	172.16	0.00
TOTAL	1,319.93	1,147.77

Notes:-

1. Information on Shares in the company held by each shareholder holding more than 5 percent of paid -up equity share capital:

Name of Holders		31.03.2012	31.03.2011
President of India	% of Share Holding	73.72	89.78
	No. of Shares Held	973,061,665	1,030,450,000
	Amount (₹ in crore)	973.06	1030.45
Life Insurance Corporation of India	% of Share Holding	5.83	
	No. of Shares Held	76,890,731	—
	Amount (₹ in crore)	76.89	

2. Pursuant to Shareholders' approval on 21st September 2010, 286,942 Equity Shares (rounded off) being 0.025% of the paid-up equity shares of the Company have been reserved for offer and issue at any time, to eligible employees of the Company under the Company's employees stock option plan titled as 'PFC- ESOP 2010', where each option shall vest after one year from the date of grant and can be exercised within a period of two years from the date of vesting, into one fully paid-up equity share of face value of ₹ 10 each in the Company, at the exercise price being equal to the face value of an equity share in the Company.

   Consequently, the Remuneration Committee of Directors in their meeting held on 23rd December, 2011 have given its approval for grant of 88,040 options effective from 29th July 2011 to regular employees of the Company through PFC Employees Welfare Trust, at a price of ₹ 176.05/- per option, exclusive of the face value of ₹ 10/- per share, convertible into equivalent number of equity shares of ₹ 10/- each on payment of ₹ 10 per share.

   Out of the above 88,040 options, during the year 2011-12, 87,888 options have been granted, effective from 29th July 2011 under the above ESOP Plan to the regular employees of the Company through the PFC Employees Welfare Trust, which shall vest and can be exercised as per the above terms.

NOTE - PART A - 2
RESERVES & SURPLUS

Description	As at 31.03.2012			As at 31.03.2011		
			(₹ in crore)			
(A) Securities Premium Reserve						
Opening balance		851.10			851.10	
Add : Addition during the year		3,261.48			0.00	
Less: Issue Expenses (FPO)		19.91	4,092.67		0.00	851.10
(B) Debenture Redemption Reserve						
Opening balance		0.06			0.00	
Add : Transfer from Statement of Profit & Loss for the year (Refer Note No. 5 of Part-C - Other Notes on Accounts)		55.73	55.79		0.06	0.06
(C) Others						
(i) Reserve for Bad & doubtful debts u/s 36 (1) (viia) (c) of Income-Tax Act,1961						
Opening balance		984.88			842.07	
Add : Transfer from Statement of Profit & Loss for the year		173.73			142.47	
Add : Transfer from Statement of Profit & Loss (Balance Sheet head)		0.00	1,158.61		0.34	984.88
(ii) Special Reserve created u/s 36(1)(viii) of Income Tax Act, 1961 upto Financial Year 1996-97			599.85			599.85
(iii) Special Reserve created and maintained u/s 36 (1)(viii) of Income Tax Act, 1961 from Financial Year 1997-98						
Opening balance		5,204.32			4,574.64	
Add : Transfer from Statement of Profit & Loss for the year		776.20			634.32	
Add : Transfer from General Reserve *		3.57			0.00	
Add : Transfer from Statement of Profit & Loss (Balance Sheet head)		0.00			0.27	
Add : Transfer from Statement of Profit & Loss (Balance Sheet head)		0.00			7.92	
Less : Transfer to Statement of Profit & Loss (Balance Sheet head) **		2.03	5,982.06		12.83	5,204.32
(iv) General Reserve						
Opening balance		2,293.97			2,031.97	
Add : Transfer from Statement of Profit & Loss for the year		304.00			262.00	
Less: Transferred to Special Reserve *		3.57	2,594.40		0.00	2,293.97
(D) Surplus						
Opening balance	4,100.54			3,213.39		
Add : Adjustments during the current year	0.00			0.67		
Add : Transfers from Special Reserve under Income Tax Act, 1961 **	2.03			12.83		
Less : Transfers to Reserve for Bad & doubtful debts and Special Reserve under Income Tax Act, 1961	0.00			0.61		
Less : Transfers to Special Reserve under Income Tax Act, 1961	0.00	4,102.57		7.92	3,218.36	

Description	As at 31.03.2012			As at 31.03.2011		
			(₹ in crore)			
Add : Profit after tax for the year	3,031.74			2,619.58		
Less:- Transfer towards Reserve for Bad & Doubtful Debts u/s 36 (1) (viia) (c) of Income Tax Act, 1961	173.73			142.47		
Less:- Transfer to Special Reserve created and maintained u/s 36(1)(viii) of Income Tax Act, 1961.	776.20			634.32		
Less: Debenture Redemption Reserve	55.73			0.06		
Less: General Reserve	304.00			262.00		
Less:- Dividend & Corporate Dividend Tax :						
Interim Dividend Paid.	659.97			401.72		
Proposed Final Dividend	132.00			197.99		
Corporate Dividend Tax paid on Interim Dividend	107.06			66.72		
Proposed Corporate Dividend Tax.	21.41	801.64	4,904.21	32.12	882.18	4,100.54
Total			19,387.59			14,034.72

Dividend & Corporate Dividend Tax :				
Interim Dividend Paid.	659.97		401.72	
Proposed Final Dividend	132.00		197.99	
Corporate Dividend Tax paid on Interim Dividend	107.06		66.72	
Proposed Corporate Dividend Tax.	21.41	920.44	32.12	698.55
		920.44		698.55

* Transferred to match the deduction claimed as per the Income tax return for the Assessment Year 2011-12.

** Special reserve claimed on some of the loan assets in earlier years withdrawn due to pre payment of such loan assets before five years.

NOTE - Part A - 3
BORROWING

Description	As at 31.03.2012			As at 31.03.2011		
	Current	Non-Current	Total	Current	Non-Current	Total
			(₹ in crore)			
A. Long Term Borrowing						
I. Secured						
Bonds						
Infrastructure Bonds (Refer note no. from 1 to 12)	0.00	361.55	361.55	0.00	235.36	235.36
Tax Free Bonds (Refer note no. from 13 to 18)	0.00	5,000.00	5,000.00	0.00	0.00	0.00
Sub- Total (I)	0.00	5,361.55	5,361.55	0.00	235.36	235.36
II. UnSecured						
a) Bonds						
Bonds Guaranteed by the Government of India	0.00	0.00	0.00	22.00	0.00	22.00
Other Bonds / Debentures (Refer Note No. 19 and 20)	9,753.90	68,804.44	78,558.34	5,360.18	50,519.46	55,879.64
Foreign Currency Notes (Refer Note No. 22)	0.00	927.54	927.54	0.00	812.52	812.52
	9,753.90	69,731.98	79,485.88	5,382.18	51,331.98	56,714.16
b) Foreign Currency Loans						
Foreign Currency Loans from Foreign banks / Institutions (Guaranteed by the Govt. of India)	17.71	262.03	279.74	77.82	253.72	331.54
Syndicated Foreign Currency Loans from banks / Institutions	0.00	4,176.92	4,176.92	0.00	3,637.91	3,637.91
Foreign Currency Loans (FCNR(B) from banks)	206.12	0.00	206.12	0.00	180.56	180.56
	223.83	4,438.95	4,662.78	77.82	4,072.19	4,150.01
c) Rupee Term Loans						
Rupee Term Loans (From Banks)	210.00	14,704.50	14,914.50	3,863.50	13,214.50	17,078.00
Rupee Term Loans (From Financial Institutions)	0.00	1,630.00	1,630.00	0.00	1,130.00	1,130.00
	210.00	16,334.50	16,544.50	3,863.50	14,344.50	18,208.00
Sub- Total (II)	10,187.73	90,505.43	100,693.16	9,323.50	69,748.67	79,072.17
B. Short Term Borrowing						
UnSecured						
Rupee Term Loans						
Rupee Term Loans from Banks	0.00	0.00	0.00	2,100.00	0.00	2,100.00
Commercial Paper	0.00	0.00	0.00	1,950.00	0.00	1,950.00
Working Capital Demand Loan / OD / CC / Loan against FD / Line of Credit	4,071.20	0.00	4,071.20	2,241.04	0.00	2,241.04
Sub- Total (III)	4,071.20	0.00	4,071.20	6,291.04	0.00	6,291.04
Total (A)+(B)	14,258.93	95,866.98	110,125.91	15,614.54	69,984.03	85,598.57

Notes:-

The details of Infrastructure Bonds and Tax Free Bonds outstanding as at 31.03.2012 are as follows:

	Bond Series	Date of allotment	Rate of Interest p.a.	Amount (₹ in crore)	Redemption details	Nature of Security
1	Infrastructure Bonds (2010-11) Series-1	31.03.2011	8.30%	66.80	On exercise of put option by the bondholders, redeemable at par, on a date, falling five years and one day from the date of allotment; otherwise, redeemable at par on a date falling ten years from the date of allotment.	Secured by charge on specific book debt of ₹5,169.96 crore as on 31.03.2012 of the Company along with first charge on immovable property situated at Jangpura, New Delhi.
2	Infrastructure Bonds (2010-11) Series-2	31.03.2011	8.30%	139.68	On exercise of put option by the bondholders, redeemable at par with cumulative interest compounded annually, on a date, falling five years and one day from the date of allotment; otherwise , redeemable at par with cumulative interest compounded annually, on a date falling ten years from the date of allotment.	
3	Infrastructure Bonds (2010-11) Series-3	31.03.2011	8.50%	6.13	On exercise of put option by the bondholders, redeemable at par, on a date, falling seven years and one day from the date of allotment; otherwise , redeemable at par on a date falling fifteen years from the date of allotment.	
4	Infrastructure Bonds (2010-11) Series-4	31.03.2011	8.50%	22.75	On exercise of put option by the bondholders, redeemable at par with cumulative interest compounded annually, on a date, falling seven years and one day from the date of allotment; otherwise , redeemable at par with cumulative interest compounded annually, on a date falling fifteen years from the date of allotment.	
5	Infrastructure Bonds (2011-12) Series-I	21.11.2011	8.50%	32.43	On exercise of put option by the bondholders, redeemable at par, on a date, falling five years and one day from the date of allotment; otherwise, redeemable at par on a date falling ten years from the date of allotment.	Secured by first pari-passu charge on total receivables of the Company (excluding those receivables on which specific charge already created) along with first pari- passu charge on immovable property situated at Guindy,Chennai.

	Bond Series	Date of allotment	Rate of Interest p.a.	Amount (₹ in crore)	Redemption details	Nature of Security
6	Infrastructure Bonds (2011-12) Series-II	21.11.2011	8.50%	51.15	On exercise of put option by the bondholders, redeemable at par with cumulative interest compounded annually, on a date, falling five years and one day from the date of allotment; otherwise , redeemable at par with cumulative interest compounded annually, on a date falling ten years from the date of allotment.	
7	Infrastructure Bonds (2011-12) Series-III	21.11.2011	8.75%	3.23	On exercise of put option by the bondholders, redeemable at par, on a date, falling seven years and one day from the date of allotment; otherwise , redeemable at par on a date falling fifteen years from the date of allotment.	
8	Infrastructure Bonds (2011-12) Series - IV	21.11.2011	8.75%	8.83	On exercise of put option by the bondholders, redeemable at par with cumulative interest compounded annually, on a date, falling seven years and one day from the date of allotment; otherwise , redeemable at par with cumulative interest compounded annually, on a date falling fifteen years from the date of allotment.	
9	Infrastructure Bonds 86 A Series	30.03.2012	8.43%	9.04	On exercise of put option by the bondholders, redeemable at par, on a date, falling five years and one day from the date of allotment; otherwise, redeemable at par on a date falling ten years from the date of allotment.	Creation of security is under progress.
10	Infrastructure Bonds 86 B Series	30.03.2012	8.43%	17.81	On exercise of put option by the bondholders, redeemable at par with cumulative interest compounded annually, on a date, falling five years and one day from the date of allotment; otherwise , redeemable at par with cumulative interest compounded annually, on a date falling ten years from the date of allotment.	
11	Infrastructure Bonds 86 C Series	30.03.2012	8.72%	0.95	On exercise of put option by the bondholders, redeemable at par, on a date, falling six years and one day from the date of allotment; otherwise, redeemable at par on a date falling fifteen years from the date of allotment.	

	Bond Series	Date of allotment	Rate of Interest p.a.	Amount (₹ in crore)	Redemption details	Nature of Security
12	Infrastructure Bonds 86 D Series	30.03.2012	8.72%	2.75	On exercise of put option by the bondholders, redeemable at par with cumulative interest compounded annually, on a date, falling six years and one day from the date of allotment; otherwise , reedemable at par with cumulative interest compounded annually, on a date falling fifteen years from the date of allotment.	
13	Tax Free Bonds Series 79 A	15.10.2011	7.51%	205.23	15.10.2021	Secured by first pari-passu charge of present and future receivables (excluding those receivables which are specifically charged for infra bond issue during the FY 2010-11) along with first pari passu charge on immovable property situated at Guindy, Chennai.
14	Tax Free Bonds Series 79 B	15.10.2011	7.75%	217.99	15.10.2026	
15	Tax Free Bonds Series 80 A	25.11.2011	8.09%	334.31	25.11.2021	
16	Tax Free Bonds Series 80 B	25.11.2011	8.16%	209.34	25.11.2026	
17	Tax Free Bonds (2011-12) tranche -I - Series I	01.02.2012	8.20%	2802.01	01.02.2022	Secured by first pari-passu charge on total receivables of the Company (excluding those receivables on which specifice charge already created) along with first pari- passu charge on immovable property situated at Guindy,Chennai.
18	Tax Free Bonds (2011-12) tranche -I - Series II	01.02.2012	8.30%	1231.12	01.02.2027	

19 Zero Coupon unsecured Taxable Bonds 2022-XIX Series of ₹325.04 crore (previous period ₹300.56 crore) are redeemable at face value of ₹750.00 crore on 30.12.2022 [net of Unamortised Interest of ₹424.96 crore (previous period ₹449.44 crore)].

20 The details of unsecured Taxable (Non cumulative) Bonds are as follows:

Bond Series	Coupon Rate	Date of Redemption	Amount (₹ in crore)
LXXI - C Series	9.05%	15-Dec-30	192.70
LXVI - C Series	8.85%	15-Jun-30	633.00
LXXVII- B Series	9.45%	1-Sep-26	2,568.00
LXXVI- B Series	9.46%	1-Aug-26	1,105.00
LXXI - B Series	9.05%	15-Dec-25	192.70
LXVI - B Series	3 year INCMTBMK + 84.25 bps	15-Jun-25	700.00
LXVI - B Series	8.75%	15-Jun-25	832.00
LXV - Series	1 year INCMTBMK + 63.5 bps	14-May-25	250.00
LXV - Series	8.70%	14-May-25	1,087.50
LXIV - Series.	8.95%	30-Mar-25	492.00
LXIII - Series.	8.90%	15-Mar-25	184.00
LXII - B Series.	8.80%	15-Jan-25	1,172.60
LXI - Series.	8.50%	15-Dec-24	351.00
LVII - B Series.	8.60%	7-Aug-24	866.50
LXXXV- D Series	9.26%	15-Apr-23	736.00
LXXXVIII- C Series	9.48%	15-Apr-22	184.70
LXXVIII- B Series	9.44%	23-Sep-21	1,180.00
LXXVI- A Series	9.36%	1-Aug-21	2,589.40
LXXV- C Series	9.61%	29-Jun-21	2,084.70
LXXIV Series	9.70%	9-Jun-21	1,693.20
XXVIII Series	8.85%	31-May-21	600.00
LXXIII Series	9.18%	15-Apr-21	1,000.00
LXXII - B Series	8.99%	15-Jan-21	1,219.00
LXXI - A Series	9.05%	15-Dec-20	192.70
LXX Series	8.78%	15-Nov-20	1,549.00
LXVIII - B Series	8.70%	15-Jul-20	1,424.00
LXVI - A Series	3 year INCMTBMK + 87.50 bps	15-Jun-20	500.00
LXV - Series	8.70%	14-May-20	162.50
LXV - Series	1 year INCMTBMK + 98 bps	14-May-20	1,175.00
LXXXV- C Series	9.30%	15-Apr-20	79.50
LXIV - Series.	8.95%	30-Mar-20	492.00
LXXXVII- D Series	9.42%	20-Mar-20	650.80
LXIII - Series.	8.90%	15-Mar-20	184.00
LXII - A Series.	8.70%	15-Jan-20	845.40
LXI - Series.	8.50%	15-Dec-19	351.00
LX - B Series.	1 year INCMTBMK + 179 bps	20-Nov-19	925.00
LIX - B Series	8.80%	15-Oct-19	1,216.60
LVII - B Series.	8.60%	7-Aug-19	866.50
LXXXII- C Series	9.70%	15-Dec-18	2,060.00
LII - C Series.	11.25%	28-Nov-18	1,950.60
LI - C Series	11.00%	15-Sep-18	3,024.40
XLIX - B Series	10.85%	11-Aug-18	428.60
XLVIII - C Series	10.55%	15-Jul-18	259.70
XLVII - C Series.	9.68%	9-Jun-18	780.70
LXXII - A Series	8.97%	15-Jan-18	144.00
XL - C Series.	9.28%	28-Dec-17	650.00
XVIII Series	7.87%	13-Nov-17	25.00
XVII Series	8.21%	3-Oct-17	25.00
XIII Series	9.60%	24-May-17	65.00
XXXV Series	9.96%	18-May-17	530.00
XIII Series	9.60%	16-May-17	125.00

Bond Series	Coupon Rate	Date of Redemption	Amount (₹ in crore)
LXXXVIII- B Series	9.66%	15-Apr-17	100.20
XXXIV Series	9.90%	30-Mar-17	500.50
LXXXVIII- A Series	9.61%	28-Mar-17	284.00
XXXIII - B Series	9.90%	22-Mar-17	561.50
LXXXVII- A Series	9.62%	20-Mar-17	1,267.00
LXXXVII- B Series	9.72%	20-Mar-17	23.00
LXXXVII- C Series	9.59%	20-Mar-17	217.50
LXXXIV Series	9.33%	17-Feb-17	1,521.20
LXXXII- B Series	9.64%	15-Dec-16	825.00
XXXI - A Series	8.78%	11-Dec-16	1,451.20
LXXXI Series	9.49%	29-Nov-16	1,138.00
XVIII Series	7.87%	13-Nov-16	25.00
XVII Series	8.21%	3-Oct-16	25.00
XXIX - A Series	8.80%	7-Sep-16	250.00
LXXVII- A Series	9.41%	1-Sep-16	1,083.60
LXXV- B Series	9.62%	29-Jun-16	360.00
XXVII - A Series	8.20%	17-Mar-16	1,000.00
XXVI Series	7.95%	24-Feb-16	1,261.80
XXV Series	7.60%	30-Dec-15	1,734.70
LII - B Series	11.30%	28-Nov-15	5.80
XVIII Series	7.87%	13-Nov-15	25.00
XVII Series	8.21%	3-Oct-15	25.00
L - C Series	10.70%	25-Aug-15	80.80
LXVIII - A Series	8.25%	15-Jul-15	147.00
LXV - Series	8.70%	14-May-15	1,337.50
LXXXV- A Series	9.51%	15-Apr-15	661.30
LXIV - Series	8.95%	30-Mar-15	492.00
LXIII - Series	8.90%	15-Mar-15	184.00
LXXXIII Series	9.55%	13-Jan-15	1,292.30
LXI - Series	8.50%	15-Dec-14	351.00
LXXXII- A Series	9.63%	15-Dec-14	2,100.00
XVIII Series	7.87%	13-Nov-14	25.00
XXI B Series	7.00%	2-Nov-14	51.90
LIX - A Series	8.45%	15-Oct-14	288.20
XVII Series	8.21%	3-Oct-14	25.00
LVIII - B Series	8.45%	17-Sep-14	331.10
LVII - B Series	8.60%	7-Aug-14	866.50
LXXV- A Series	9.64%	29-Jun-14	555.00
LV - B Series	7.50%	11-May-14	146.90
LIV - A Series	8.90%	16-Feb-14	196.50
LII - A Series	11.40%	28-Nov-13	662.70
XVIII Series	7.87%	13-Nov-13	25.00
XVII Series	8.21%	3-Oct-13	25.00
LXXVIII- A Series	9.43%	23-Sep-13	655.00
LI - B Series	11.10%	15-Sep-13	594.00
L - B Series	10.75%	25-Aug-13	78.40
XLIX - A Series	10.90%	11-Aug-13	313.60
XLVIII - B Series	10.70%	15-Jul-13	217.40
XLVII - B Series	9.60%	9-Jun-13	495.30
XLIV Series	9.40%	25-Mar-13	1,260.30
XXVII - B Series	8.09%	17-Mar-13	850.00
XLIII - B Series	9.30%	12-Mar-13	271.60

Bond Series	Coupon Rate	Date of Redemption	Amount (₹ in crore)
XLII - B Series	9.03%	15-Feb-13	319.00
XLI - B Series	8.94%	15-Jan-13	265.00
XL - B Series	9.22%	28-Dec-12	510.00
LX - A Series	1 year INCMTBMK + 135 bps	20-Nov-12	175.00
XVIII Series	7.87%	13-Nov-12	25.00
XVII Series	8.21%	3-Oct-12	25.00
XXXVIII Series	9.80%	20-Sep-12	1,862.00
LVIII - A Series	7.75%	17-Sep-12	100.00
LXIX - Series	7.89%	15-Sep-12	950.00
LXVII Series	7.10%	15-Jul-12	1,100.00
LVI Series	7.20%	9-Jul-12	525.00
XXIII Series	7.00%	5-Jul-12	202.70
XXXVI - B Series	10.00%	15-Jun-12	436.30
LV - A Series	6.90%	11-May-12	877.00

21 As at 31.03.2012, Bonds of ₹7.10 crore (previous period ₹3.40 crore) are held by PFC Ltd. Employees Provident Fund Trust and Bonds of ₹0.70 crore (previous period ₹0.70 crore) are held by PFC Ltd. Gratuity Trust.

22 Foreign currency 6.61 % Senior Notes (USPP - I) of USD 180 million amounting to ₹927.54 crore (previous period ₹812.52 crore) are redeemable at par on 05.09.2017.

NOTE - Part A - 4
OTHER LIABILITIES

(₹ in crore)

Description	As at 31.03.2012					As at 31.03.2011				
	Current		Non-Current		Total	Current		Non-Current		Total
Interest Subsidy Fund from GOI (Refer Note No. 11 of Part-C - Other Notes on Accounts)		49.39		326.82	376.21		77.50		374.37	451.87
Interest Differential Fund - KFW (Refer Note No. 8 of Part-C - Other Notes on Accounts)		0.00		52.01	52.01		0.00		49.01	49.01
Advance received from Subsidiaries (including interest payable thereon) (Refer Note No. 7.5 of Part-C - Other Notes on Accounts)		114.93	0.00	160.63	275.56		0.00		247.79	247.79
Amount payable to GoI under R-APDRP (Refer Note No. 13(i) of Part-C - Other Notes on Accounts)		11.09	0.00	0.00	11.09		6.88		0.00	6.88
Interest Accrued but not due:										
On Bonds	3,405.60		0.00			2,302.77		0.00		
On Loans	90.96	3,496.56	0.00	0.00	3,496.56	120.80	2,423.57	0.00	0.00	2,423.57
Unpaid/ unclaimed										
Bonds	5.27		0.00			6.52		0.00		
Interest on Bonds	3.55		0.00			3.65		0.00		
Dividend	0.98	9.80	0.00	0.00	9.80	0.60	10.77	0.00	0.00	10.77
Others		117.91		11.18	129.09		264.38		7.21	271.59
TOTAL		3,799.68		550.64	4,350.32		2,783.10		678.38	3,461.48

NOTE - Part A - 5
PROVISIONS

Description	As at 31.03.2012 Current	Non-Current	Total	As at 31.03.2011 Current	Non-Current	Total
			(₹ in crore)			
Employee Benefits **						
Economic Rehabilitation of Employees	0.09	1.15	1.24	0.23	1.03	1.26
Leave Encashment	0.95	16.79	17.74	0.75	14.72	15.47
Staff Welfare Expenses	0.72	11.01	11.73	0.52	9.41	9.93
Gratuity / Superannuation Fund . . .	7.24	0.00	7.24	5.78	0.00	5.78
Others						
Taxation - Income Tax (net)	96.13	0.00	96.13	33.52	0.00	33.52
Taxation - Fringe Benefit Tax	0.00	0.00	0.00	0.80	0.00	0.80
CSR Expenses (Refer Note No. 22.2 of Part-C - Other Notes on Accounts)	16.39	0.00	16.39	11.86	0.00	11.86
Proposed Final Dividend	132.00	0.00	132.00	197.99	0.00	197.99
Proposed Corporate Dividend Tax .	21.41	0.00	21.41	32.12	0.00	32.12
TOTAL.	274.93	28.95	303.88	283.57	25.16	308.73

** (Refer Note No. 22.1 of Part-C - Other Notes on Accounts)

NOTE - Part A - 6
FIXED ASSETS

(₹ in crore)

Description	GROSS BLOCK				DEPRECIATION					NET BLOCK	
	Opening Balance as at 01.04.2011	Additions/ Adjustments	Deductions/ Adjustments	Closing Balance as at 31.03.2012	Opening Balance as at 01.04.2011	For the Period 01.04.2011 to 31.03.2012	Charged to Prior period Adjustments	Withdrawn/ Written back	Closing Balance as at 31.03.2012	As at 31.03.2012	As at 31.03.2011
I. TANGIBLE ASSETS :											
Owned Assets											
Land (Freehold)	2.59	0.00	0.00	2.59	0.00	0.00	0.00	0.00	0.00	2.59	2.59
Land (Leasehold)	37.87	0.00	0.00	37.87	0.00	0.00	0.00	0.00	0.00	37.87	37.87
Buildings	24.14	1.40	0.00	25.54	5.33	0.95	0.00	0.00	6.28	19.26	18.81
EDP Equipments	11.22	1.82	0.23	12.81	7.03	2.05	0.03	0.17	8.94	3.87	4.19
Office and other equipments	11.59	0.95	0.08	12.46	6.04	0.86	0.00	0.04	6.86	5.60	5.55
Furniture & Fixtures	7.19	0.32	0.03	7.48	4.44	0.51	0.00	0.02	4.93	2.55	2.75
Vehicles	0.13	0.00	0.00	0.13	0.11	0.01	0.00	0.00	0.12	0.01	0.02
Total	94.73	4.49	0.34	98.88	22.95	4.38	0.03	0.23	27.13	71.75	71.78
Previous Year	90.80	5.52	1.59	94.73	19.62	4.28	0.01	0.96	22.95	71.78	71.18
II. Intangible Assets :											
Purchased Software (Useful Life - 5 years)	4.21	2.65	0.00	6.86	1.56	1.04	0.00	0.00	2.60	4.26	2.65
	4.21	2.65	0.00	6.86	1.56	1.04	0.00	0.00	2.60	4.26	2.65
Previous Year	2.41	1.90	0.10	4.21	0.82	0.77	0.00	0.03	1.56	2.65	1.59
III. Capital Works in Progress - Intangible Assets **	2.28	0.33	2.16	0.45	0.00	0.00	0.00	0.00	0.00	0.45	2.28
	2.28	0.33	2.16	0.45	0.00	0.00	0.00	0.00	0.00	0.45	2.28
Previous Year	1.73	0.55	0.00	2.28	0.00	0.00	0.00	0.00	0.00	2.28	1.73

** Software Applications - Purchased and under implementation

NOTE - Part A - 7
NON- CURRENT INVESTMENTS

Description	As at 31.03.2012		As at 31.03.2011	
		(₹ in crore)		
I. Equity Instruments (Trade - Unless otherwise specified)				
- Valued at Cost				
12,000,000 (Previous Year 12,000,000) Equity Shares of ₹10/- each fully paid up of PTC Ltd. (Quoted)		12.00		12.00
2,187,015 (Previous Year 2,187,015) Equity Shares of ₹10/- each fully paid up of National Power Exchange Ltd. (Unquoted - Non Trade) **		2.19		2.19
2,800,000 (Previous Year 1,750,000) Equity Shares of Rs. ₹10/- each fully paid up of Power Exchange India Ltd. (Unquoted - Non Trade) (Refer Note No. 7.6 (ii) of Part-C - Other Notes on Accounts)		2.80		1.75
625,000 (Previous Year 625,000) Equity Shares of ₹10/- each fully paid up of Energy Efficiency Services (P) Ltd. (Unquoted - Non Trade) **		0.63		0.63
5,590,000 (Previous Year 465,000) Equity Shares of ₹10/- each fully paid up of Subsidiaries / Associates (Unquoted - Non Trade) **		5.59		0.47
** (Refer Note No. 7.2 of Part-C - Other Notes on Accounts)				
II. Bonds / Debentures (Trade - Unless otherwise specified)				
8,330 (Previous Year 8,330) 4% Bonds of ₹100/- each of IMP Power Ltd. (Unquoted - Non Trade)		0.08		0.08
34,002,868 (Previous Period Nil) OFCD of ₹ 10/- each of R S India Wind Energy Pvt. Ltd. (Unquoted - Non Trade)	34.00		0.00	
Less : Provision for contingencies	34.00	0.00	0.00	0.00
III. Others (Trade - Unless otherwise specified)				
- Valued at Cost (Less diminution, if any, other than temporary)				
7,825,127 (Previous Year 8,733,788) Units of "Small is Beautiful" Fund of KSK Investment Advisor Pvt. Ltd. (Face value per unit is ₹ 10) (Unquoted - Non Trade) (Refer Note No. 7.6 (i) of Part-C - Other Notes on Accounts)	7.83		8.73	
Less : Provision for diminution	0.16	7.67	0.18	8.55
IV. Application Money pending allotment of Shares				
24,375,000 (Previous Period 24,375,000) Equity Shares (Face value of ₹10/- each) of Energy Efficiency Services (P) Ltd. (Unquoted - Non Trade) (Refer Note No. 7.2(vii) of Part-C - Other Notes on Accounts)		24.38		24.38
TOTAL		55.34		50.05

Particulars	Book Adjusted Value	Market Value
Aggregate of Quoted Investments	12.00	73.68
(previous year)	(12.00)	(100.08)
Aggregate of Un-Quoted (non trade) Investments	18.96	
(previous year)	(13.67)	
Application Money pending allotment of Shares	24.38	
(previous year)	(24.38)	
TOTAL	55.34	73.68
(Previous year)	(50.05)	(100.08)

NOTE - Part A - 8
LOANS

Description	As at 31.03.2012 Current maturities (Twelve Months)		Non Current		Total	As at 31.03.2011 Current maturities (Twelve Months)		Non Current		Total
					(₹ in crore)					
Long Term										
I Secured Loans										
a) Considered Good										
Rupee Term Loans (RTLs) to State Electricity Boards, State Power Corporations,Central Public Sector Undertakings and State Governments		8,836.12		65,533.38	74,369.50		5,403.86		52,591.53	57,995.39
RTLs to Independent Power Producers		406.77		6,674.03	7,080.80		392.03		3,607.44	3,999.47
Foreign Currency Loans to Independent Power Producers		25.83		92.36	118.19		62.88		261.42	324.30
Buyer's Line of Credit		4.89		0.00	4.89		6.52		4.89	11.41
Lease Financing to Borrowers **		35.96		63.00	98.96		28.06		103.31	131.37
RTLs to Equipment Manufacturers		1.25		0.00	1.25		1.25		1.25	2.50
Incomes accrued & due on loans		3.30		0.00	3.30		8.54		0.00	8.54
b) Others										
RTL to Independent Power Producers - Projects under implementation	0.00		0.00			375.00		325.00		
Less: Provision for contingencies	0.00	0.00	0.00	0.00	0.00	1.50	373.50	1.30	323.70	697.20
RTL to Independent Power Producers - NPA	62.05		864.97			0.00		8.92		
Less: Provision for contingencies	14.23	47.82	86.50	778.47	826.29	0.00	0.00	8.92	0.00	0.00
Lease financing to Borrowers - NPA **	5.55		222.07			15.23		202.26		
Less: Provision for contingencies	0.55	5.00	22.21	199.86	204.86	1.60	13.63	21.29	180.97	194.60
FCL to Independent Power Producers - NPA	49.31		154.52			0.00		0.00		
Less: Provision for contingencies	4.93	44.38	15.45	139.07	183.45	0.00	0.00	0.00	0.00	0.00
Sub-Total I		9,411.32		73,480.17	82,891.49		6,290.27		57,074.51	63,364.78

Description	As at 31.03.2012					As at 31.03.2011				
	Current maturities (Twelve Months)		Non Current		Total	Current maturities (Twelve Months)		Non Current		Total
					(₹ in crore)					
II Un-Secured Loans										
a) Considered Good										
Rupee Term Loans (RTLs) to State Electricity Boards, State Power Corporations,Central Public Sector Undertakings and State Governments		2,205.03		32,781.57	34,986.60		3,638.91		28,933.34	32,572.25
RTLs to Independent Power Producers		79.37		4,924.35	5,003.72		19.60		609.03	628.63
Foreign Currency Loans to Independent Power Producers		11.56		44.06	55.62		23.58		48.73	72.31
RTLs to Equipment Manufacturers		166.75		786.77	953.52		68.92		758.08	827.00
Incomes accrued & due on loans		3.00		0.00	3.00		0.00		0.00	0.00
b) Others										
RTLs to State Power Corporations - NPAs	0.00		0.00			4.24		0.00		
Less : Provision for contingencies	0.00	0.00	0.00	0.00	0.00	4.24	0.00	0.00	0.00	0.00
Sub-Total II		2,465.71		38,536.75	41,002.46		3,751.01		30,349.18	34,100.19
Total of Long Term		11,877.03		112,016.92	123,893.95		10,041.28		87,423.69	97,464.97
Short Term										
I Secured										
Working Capital Loans to State Electricity Boards and State Power Corporations		2,267.02		0.00	2,267.02		500.00		0.00	500.00
Sub-Total I		2,267.02		0.00	2,267.02		500.00		0.00	500.00
II Un-Secured										
Working Capital Loans to State Electricity Boards and State Power Corporations		3,760.85		0.00	3,760.85		1,605.77		0.00	1,605.77
Working Capital Loans to Independent Power Producers		150.00		0.00	150.00		0.00		0.00	0.00
Sub-Total II		3,910.85		0.00	3,910.85		1,605.77		0.00	1,605.77
Total of Short Term		6,177.87		0.00	6,177.87		2,105.77		0.00	2,105.77
Grand Total		18,054.90		112,016.92	130,071.82		12,147.05		87,423.69	99,570.74

** (Refer Note No. 10(a) of Part-C - Other Notes on Accounts)

NOTE - Part A - 9
OTHER ASSETS

Description	As at 31.03.2012				As at 31.03.2011			
	Current		Non-Current		Current		Non-Current	
	(₹ in crore)							
LOANS & ADVANCES								
Loans (considered good) *								
a) to Employees (Secured)	2.06		13.24		1.87		9.89	
b) to Employees (Unsecured)	3.75	5.81	18.84	32.08	3.07	4.94	12.90	22.79
Advances (Unsecured considered good)								
Advances recoverable in cash or in kind or for value to be received								
a) to Subsidiaries (including interest recoverable there on) (Refer Note No. 7.4 of Part-C - Other Notes on Accounts)	103.02		68.74		2.25		131.73	
b) to Employees	0.69		0.00		0.59		0.00	
c) Prepaid Expenses	1.81		0.00		2.19		0.00	
d) Unamortized financial charges on Commercial Paper	0.00		0.00		35.45		0.00	
e) Others	61.52		0.33		324.47		2.23	
f) Advance Income Tax and Tax Deducted at Source (net)	32.09		0.00		106.52		0.00	
g) Advance Fringe Benefit Tax	0.00		0.00		1.29		0.00	
h) Security Deposits	12.24	211.37	0.28	69.35	3.23	475.99	0.25	134.21
OTHER ASSETS								
Accrued but not due:								
a) Interest on Loan Assets	2,474.01		0.00		1,863.13		0.00	
b) Other charges on Loan Assets	15.88		0.00		60.98		0.00	
c) Interest on Employee advances	6.72		0.00		5.26		0.00	
d) Interest on Deposits and Investments	14.05	2,510.66	0.00	0.00	15.35	1,944.72	0.00	0.00
Loans & Advances (Unsecured - Others)								
Non Performing Assets (NPAs)	39.53		0.00		1.03		0.00	
Less : Provision for contingencies	4.80	34.73	0.00	0.00	1.03	0.00	0.00	0.00
TOTAL		2,762.57		101.43		2,425.65		157.00

*** Note :-**

Loans and Advances include :

Particulars	Balance as at 31.03.2012	Maximum during 2011-12	Balance as at 31.03.2011	Maximum during 2010-11
Loans given to Directors	0.12	0.16	0.16	0.22
Loans given to Executives	28.25	32.06	20.87	25.58
Loans given to other employees	9.52	10.75	6.7	7.72

NOTE - Part A - 10
CURRENT INVESTMENTS

Description	As at 31.03.2012		As at 31.03.2011	
	(₹ in crore)			
Equity Instruments - Valued scrip wise at lower of cost or market Price (Trade - Unless otherwise specified)				
539,349 Shares (Face value of ₹10/- each fully paid up) of PGCIL purchased at a cost of ₹52 (Previous year - 539,349 Shares) (Quoted)	2.80		2.80	
Less : Provision for diminution	0.00	2.80	0.00	2.80
97,952 Shares (Face value of ₹10/- each fully paid up) of REC Ltd. purchased at a cost of ₹105 (Previous year - 97,952 Shares) (Quoted)	1.03		1.03	
Less : Provision for diminution	0.00	1.03	0.00	1.03
TOTAL		3.83		3.83

Particulars	Book Adjusted Value	Market Value
Aggregate of Quoted Investments	3.83	7.84
(previous year)	(3.83)	(7.98)
TOTAL	3.83	7.84
(Previous year)	(3.83)	(7.98)

NOTE - Part A - 11
CASH AND BANK BALANCES

Description	As at 31.03.2012		As at 31.03.2011	
	(₹ in crore)			
Cash and Cash Equivalents				
I a) Balances in current accounts with:				
i) Reserve Bank of India	0.05		0.05	
ii) Scheduled Banks	18.66	18.71	247.16	247.21
b) Cheques in hand		0.06		0.38
c) Balances in current accounts with scheduled banks for payment of interest on bonds, dividend etc.		0.98		0.61
d) Imprest with postal authority		0.01		0.01
e) Fixed Deposits with Scheduled Banks (original maturity up to three months)		1,964.21		2,098.03
		1,983.97		2,346.24
II Other Balances				
Fixed Deposits with Scheduled Banks three months)		4.23		4.02
		4.23		4.02
TOTAL		1,988.20		2,350.26

NOTE - Part A - 12
REVENUE FROM OPERATIONS

Description		Year ended 31.03.2012		Year ended 31.03.2011
		(₹ in crore)		
(A) Interest				
Interest on Loans		12,602.47		9,760.51
Prepayment Premium on Loans		14.87		27.85
Upfront fees on Loans		26.81		41.72
Service charges on Loans		0.02		0.07
Management, Agency & Guarantee Fees		65.37		96.77
Commitment charges on Loans	2.60		3.04	
Less : Commitment charges on Loans waived	0.00	2.60	0.08	2.96
Income from surplus funds		244.97		93.18
Lease income		18.59		15.81
Sub- Total (A)		12,975.70		10,038.87
(B) Other Financial Services				
Nodal Agency Fees under R-APDRP (Refer Note No. 13 (ii) of Part-C - Other Notes on Accounts)		39.15		89.62
Sub- Total (B)		39.15		89.62
TOTAL		13,014.85		10,128.49

NOTE - Part A - 13
OTHER INCOME

Description	Year ended 31.03.2012	Year ended 31.03.2011
	(₹ in crore)	
Dividend Income		
Dividend / Interest Income on Long term Investments	1.84	1.56
Dividend Income on Current Investments	0.20	0.15
Net gain / loss on sale of investments		
Profit on sale of Assets	0.01	0.00
Profit on sale of Long term Investments	0.84	1.78
Others		
Interest on Income Tax Refund	16.58	24.49
Miscellaneous Income	2.71	2.75
Excess Liabilities written back	0.08	1.34
TOTAL	22.26	32.07

NOTE - Part A - 14
INTEREST, FINANCE AND OTHER CHARGES

Description	Year ended 31.03.2012		Year ended 31.03.2011	
	(₹ in crore)			
I. Interest				
On Bonds	6,213.02		4,835.41	
On Loans	1,808.14		1,417.53	
to GOI on Interest Subsidy Fund	36.02		56.22	
Rebate for Timely Payment to Borrowers	181.29		157.05	
Swap Premium (Net)	(8.19)	8,230.28	(153.05)	6,313.16
II. Other Charges				
Commitment & Agency Fees	1.04		0.67	
Financial Charges on Commercial Paper	57.47		15.45	
Guarantee, Listing & Trusteeship fees	1.64		1.71	
Management Fees on Foreign Currency Loans	0.00		61.04	
Bank / Other charges	0.19	60.34	0.07	78.94
Interest paid on advances received from subsidiaries	9.08		6.85	
Less : Interest received on advances given to subsidiaries	2.64	6.44	1.43	5.42
III. Net Translation / Transactions Exchange Loss / gain (-)		167.60		26.38
TOTAL		8,464.66		6,423.90

NOTE - Part A - 15
BOND ISSUE EXPENSES

Description	Year ended 31.03.2012	Year ended 31.03.2011
	(₹ in crore)	
Interest on Application Money	123.76	37.42
Credit Rating Fees	2.85	1.57
Other Issue Expenses	63.64	20.83
Stamp Duty Fees	6.64	3.23
TOTAL	196.89	63.05

NOTE - Part A - 16
EMPLOYEE BENEFIT EXPENSES

Description	Year ended 31.03.2012	Year ended 31.03.2011
	(₹ in crore)	
Salaries and Wages	51.75	47.92
Contribution to Provident and other funds	5.00	4.87
Staff Welfare	8.78	7.41
Rent for Residential accomodation of employees (Refer Note No. 10 (b) of Part-C - Other Notes on Accounts)	6.55	6.89
	72.08	67.09

* The expenses of ₹5.47 crore (previous period ₹5.07crore) on account of reimbursement of amount incurred for R-APDRP scheme have been adjusted against the respective heads.

NOTE - Part A - 17
OTHER EXPENSES

Description	Year ended 31.03.2012	Year ended 31.03.2011
	(₹ in crore)	
Office Rent	0.49	0.40
Electricity & Water charges	1.02	0.90
Insurance	0.11	0.03
Repairs & Maintenance	1.82	1.96
Stationery & Printing	0.69	0.46
Travelling & Conveyance	5.81	5.30
Postage, Telegraph & Telephone	0.85	0.70
Professional & Consultancy charges	1.94	1.80
CSR Expenses	13.24	11.86
Miscellaneous	19.70	15.30
Loss on sale of assets	0.03	0.06
Auditors' remuneration	0.60	0.38
Service Tax	4.30	1.62
Rates & Taxes	0.72	0.65
Wealth Tax	0.01	0.00
Contribution to PMC (MoP)	0.54	0.00
TOTAL*	51.87	41.42
Less: Re-imbursement of expenditure incurred for operationalization of R-APDRP scheme**	0.00	15.89
TOTAL	51.87	25.53

* The expenses of ₹2.83 crore (previous period ₹2.81crore) on account of reimbursement of amount incurred for R-APDRP scheme have been adjusted against the respective heads.

** The amount pertains re-imbursements related to FYs 2008-09 and 2009-10.

Note:-

1) Miscellaneous includes:		
Books & Periodicals	0.03	0.03
Advertisement	6.39	6.12
Membership & Subscription	0.65	0.82
Entertainment	0.56	0.42
Conference & Meeting Expenses	1.46	1.33
Security Expenses	0.89	0.74
Training	0.35	0.43
EDP Expenses	1.23	1.52
Business Promotion / Related Expenses	0.14	0.10
Interest on income tax U/S 234	4.90	0.22
2) Auditors' Remuneration includes:		
Audit fees	0.15	0.12
Tax Audit fees	0.04	0.04
Other certification services	0.41	0.23
Reimbursement of Expenses	0.00	0.01

NOTE - Part A - 18
PRIOR PERIOD ITEMS (NET)

Description		Year ended 31.03.2012		Year ended 31.03.2011
		(₹ in crore)		
Prior Period Income:				
Interest & Other charges		0.34		0.13
Prior Period Expenses:				
Depreciation	0.03		(0.03)	
Interest & Other charges	0.44		0.19	
Issue Expenses	(0.23)			
Personnel & Administration Expenses	(0.73)	(0.49)	0.04	0.20
Total		(0.83)		0.07

SIGNIFICANT ACCOUNTING POLICIES

1 BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

The Financial Statements have been prepared in accordance with historical cost convention on accrual basis in accordance with Generally Accepted Accounting Principles (GAAP) and Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006 and relevant provisions of the Companies Act, 1956.

The preparation of Financial Statements requires the Management to make estimates and assumptions considered in the reported amounts of assets, liabilities (including contingent liabilities), revenues and expenses of the reporting period. The difference between the actual results and the estimates are recognized in the period in which the results are known and/or materialized.

2 RECOGNITIONOF INCOME/EXPENDITURE

2.1 Income and expenses (except as stated below) are accounted for on accrual basis.

2.1.1 Income on non-performing assets and assets stated in the proviso to paragraph 6.2, infra is recognized in the year of its receipt. However, any unrealized income recognized before the asset in question became non-performing asset or the income recognized in respect of assets as stated in the proviso to paragraph 6.2,infra which remained due but unpaid for a period more than six months is reversed.

2.1.2 Income under the head carbon credit, is accounted for in the year in which it is received by the Company.

2.2 Rebate on account of timely payment by borrowers is accounted for, on receipt of entire amount due on time.

2.3 Discount /financial charges/interest on the commercial papers and zero coupon bonds (deep discount bonds) are amortized proportionately over the period of its tenure.

2.4 Expenditure on issue of shares is charged to the securities premium account.

2.5 Income from dividend is accounted for in the year of declaration of dividend.

2.6 Recoveries in borrower accounts are appropriated as per the loan agreements.

2.7 The Company raises demand for principal installments due, as per loan agreements. The repayment is adjusted against earliest disbursement, irrespective of the rate of interest being charged on various disbursements.

2.8 Prior period expenses/income and prepaid expenses up to ₹5,000/- are charged to natural heads of account.

2.9 (i) Nodal Agency Fees under Restructured Accelerated Power Development and Reforms Programme (R — APDRP) are accounted for @1% of the sanctioned project cost in three stages- 0.40% on sanction of the project, 0.30% on disbursement of the funds and remaining 0.30% after completion of the sanctioned project (for Part — A) and verification of AT&C loss of the project areas (for Part — B).

(ii) Actual expenditure incurred for operationalising the R— APDRP are reimbursed by Ministry of Power, Government of India and is accounted for in the period in which the expenditure is so incurred.

3. FIXED ASSETS/DEPRECIATION

3.1 Fixed assets are shown at historical cost less accumulated depreciation, except for the assets retired from active use and held for disposal, which are stated at lower of the book value or net realizable value.

3.2 Additions to fixed assets are being capitalised on the basis of bills approved or estimated value of work done as per contracts in cases where final bills are yet to be received/ approved.

3.3 Depreciation on assets is provided on written down value method, in accordance with the rates prescribed in Schedule XIV of the Companies Act, 1956.

3.4 Items of fixed assets acquired during the year costing up to ₹5,000/- are fully depreciated.

4 INTANGIBLE ASSETS/AMORTIZATION

4.1 Intangible assets such as software are shown at the cost of acquisition, and amortization is done under straight-line method over the life of the assets estimated by the Company.

5 INVESTMENTS

5.1 Quoted current investments are valued scrip wise at lower of cost or fair value.

5.2 Unquoted current investments are valued at lower of cost or fair value.

5.3 Long term investments are valued at cost. Provision is made for diminution, other than temporary in the value of such investments. However, diminution in value is reversed, when there is rise in the value or if the reason for the reduction no longer exists.

5.4 Investments in mutual funds/venture capital funds are valued at cost, less diminution, if any, other than temporary. However, diminution in value is reversed, when there is rise in the value or if the reason for the reduction no longer exists.

6 PROVISIONS/WRITE OFF AGAINST LOANS AND ADVANCES

Prudential Norms

6.1 PFC being a Government owned Non Banking Financial Company (NBFC) is exempt from the RBI directions relating to Prudential Norms. The Company, however, has formulated its own set of Prudential Norms with effect from 01.04.2003, which has been revised from time to time.

In respect of private sector utilities, the Company applies RBI exposure norms, as advised by RBI, vide their letter of December, 2008. Further, RBI exempted PFC from its prudential exposure norms in respect of lending to State / Central entities in power sector till March’2012, vide their letter dated 18.03.2010.

RBI has accorded the status of Infrastructure Finance company (IFC) to PFC, vide their letter dated 28.07.2010. Accordingly, PFC maintains CRAR as applicable to IFC.

6.2 As per prudential norms approved by the Board of Directors and the Ministry of Power, an asset including a lease asset, in respect of which, interest, principal installment and/or other charges remain due but unpaid for a period of six months or more, a term loan inclusive of unpaid interest and other dues if any , when the principal installment and /or interest remains unpaid for a period of six months or more, any amount which remains due but unpaid for a period of six months or more under bill discounting scheme and any amount due on account of sale of assets or services rendered or reimbursement of expenses incurred which remains unpaid for a period of six months or more are classified as Non-Performing Assets (NPA).

However, the following assets would not be classified as non-performing assets and the income on these loans is recognized on realization basis.

(i) Loans in respect of projects which are under implementation as per RBI Circular No. ref DBS.FID No. C-11/01.02.00/2001-02 dated February 1, 2002 read with D.O. letter DBS FID No 1285/01.02.00/2001-02 dated May 14, 2002 and RBI letter No.DBOD.BP.No.7675/21.04.048/2008-09 dated 11.11.2008 are classified in line with RBI guidelines for asset classification of Infrastructure projects, as applicable to banks from time to time.

(ii) A facility which is backed by the Central / State Government guarantee or by the State Government undertaking for deduction from central plan allocation or a loan to State department , for a period not exceeding 12 months from the date from which Company's dues have not been paid by the borrower.

(iii) A loan disbursed to an integrated power entity which is bifurcated on account of division of states, the company shall follow the government order issued for division of assets and liabilities, unless the same is stayed by any court and the case is pending in the court.

(iv) Non servicing of part of dues disputed by the borrower for a period not exceeding 12 months from the date from which the company's dues have not been paid by the borrower. The disputed income shall be recognized only when it is actually realized. Any such disputed income already recognized in the books of accounts shall be reversed. Disputed dues means amount on account of financial charges like commitment charges , penal interest etc. and the disputed differential income on account of interest reset not serviced by the borrower due to certain issues remains unresolved. A dispute shall be acknowledged on case to case basis with the approval of the Board of Directors.

6.3 NPA classification and provisioning norms for loans, other credits and lease assets are given as under

(i)	NPA for a period not exceeding 18 months	:	Sub-standard asset
(ii)	NPA exceeding 18 months	:	Doubtful asset
(iii)	When an asset is identified as loss asset or assets remain doubtful asset exceeding 36 months, which ever is earlier	:	Loss asset

6.4 Provision against NPAs is made at the rates indicated below: -

(i)	Sub-standard assets	:	10%

(ii) Doubtful assets:

(a) Secured portion/facility including that guaranteed by the state / central government or by the state government undertaking for deduction from central plan allocation or loan to state department.

Up to 1 year	:	20%
1 — 3 years	:	30%
More than 3 years	:	100%

(b) Unsecured : 100%

(iii) Loss assets : 100%

The entire loss assets shall be written off. In case, a loss asset is permitted to remain in the books for any reason, 100% of outstanding shall be provided for.

For the purpose of assets classification and provisioning —

(i) facilities granted to Government sector entities are considered loan-wise.

(ii) facilities granted to Private sector entities are considered borrower -wise.

(iii) Facilities falling under paragraph 6.2 (i), supra, shall be classified in line with RBI guidelines for asset classification of infrastructure projects, as applicable to banks from time to time, but provisioning for such facilities shall be as per PFC Prudential Norms applicable from time to time.

6.5 Restructuring, Reschedulement or Renegotiation of term(s) of loan:

(i) PFC may, not more than once (in each of the following three stages), restructure or reschedule or renegotiate the terms of infrastructure loan agreement as per the policy framework laid down by the Board of Directors of the company under the following stages:

a) Before commencement of commercial production

b) After commencement of commercial production but before the asset has been classified as sub-standard;

c) After the commencement of commercial production and the asset has been classified as sub-standard.

Provided that in each of the above three stages, the restructuring and/or rescheduling and/or renegotiation of principal and/or of interest may take place, with or without sacrifice, as part of the restructuring or rescheduling or renegotiating package evolved.

Provided further that in exceptional circumstance(s), for reasons to be recorded in writing, PFC may consider restructuring/reschedulement/renegotiation of terms of loan agreement second time before COD of the project with the approval of Board of Directors.

Provided further that extension of repayment schedule before COD* of the project in respect of Government Sector Entities, without any sacrifice** of either principal or interest, will not be considered as restructuring/rescheduling/renegotiation for the purpose of applicability of this section.

* Completion Date for projects where COD is not applicable.

** The term "sacrifice" shall mean waiver/reduction of principal and/or the interest dues and/or future applicable interest rate as a part of Restructuring/ Reschedulement/ Renegotiation package for the purpose of giving effect to the extant provision in respect of Government sector entities.

(ii) Provision for shortfall in security of Restructured/Rescheduled/Renegotiated Loans:

Where the asset is partly secured, a provision to the extent of shortfall in the security available, shall be made while restructuring and/or rescheduling and/or renegotiation of the loans, apart from the provision required on present value basis and as per prudential norms.

(iii) Treatment of Restructured/Rescheduled/Renegotiated Standard Loan:

The rescheduling or restructuring or renegotiation of the instalments of principal alone, at any of the aforesaid first two stages shall not cause a standard asset to be re-classified in the sub-standard category, if the project is re-examined and found to be viable by the Board of Directors of PFC or by a functionary at least one step senior to the functionary who sanctioned the initial loan for the project, within the policy framework laid down by the Board.

Provided that rescheduling or renegotiation or restructuring of interest element at any of the foregoing first two stages shall not cause a standard asset to be downgraded to sub-standard category subject to the condition that the amount of interest foregone, if any, on account of adjustment in the element of interest as specified later, is either written off or 100 per cent provision is made there against.

(iv) Treatment of Restructured/Rescheduled/Renegotiated sub-standard Asset:

A sub-standard asset shall continue to remain in the same category in case of restructuring or rescheduling or renegotiation of the instalments of principal until the expiry of one year and the amount of interest foregone, if any, on account of adjustment, including adjustment by way of write off of the past interest dues, in the element of interest as specified later, shall be written off or 100 per cent provision made there against.

(v) Adjustment of Interest:

Where rescheduling or renegotiation or restructuring involves a reduction in the rate of interest, the interest adjustment shall be computed by taking the difference between the rate of interest as currently applicable to the loan (as adjusted for the risk rating applicable to the borrower) and the reduced rate and aggregating the present value (discounted at the rate currently applicable to infrastructure loan, adjusted for risk enhancement) of the future interest payable so stipulated in the restructuring or rescheduling or renegotiation proposal.

(vi) Funded Interest:

In the case of funding of interest in respect of NPAs, where the interest funded is recognized as income, the interest funded shall be fully provided for.

(vii) Eligibility for Up gradation of Restructured/Rescheduled/Renegotiated Sub-standard Infrastructure loan:

The sub-standard asset subjected to rescheduling and/or renegotiation and/or restructuring, whether in respect of instalments of principal amount, or interest amount, by whatever modality, shall not be upgraded to the standard category until expiry of one year of satisfactory performance under the restructuring and/or rescheduling and/or renegotiation terms.

(viii) Reversal of Provision:

Reversal of provision made for a restructured/rescheduled/renegotiated NPA towards principal is permitted when the account becomes a standard asset. The provision made in a restructured/rescheduled/renegotiated account towards interest sacrifice may be reversed every year (NPV of interest sacrifice for the respective year) on receipt of all repayment obligations for the respective year.

(ix) Conversion of Debt into Equity:

Where the amount due as interest is converted into equity or any other instrument, and income is recognized in consequence, full provision shall be made for the amount of income so recognized to offset the effect of such income recognition:

Provided that no provision is required to be made, if the conversion of interest is into equity which is quoted;

Provided further that in such cases, interest income may be recognized at market value of equity, as on the date of conversion, not exceeding the amount of interest converted to equity.

(x) Conversion of Debt into Debentures:

Where principal amount and/or interest amount in respect of NPAs is converted into debentures, such debentures shall be treated as NPA, abinitio, in the same asset classification as was applicable to the loan just before conversion and provision shall be made as per norms.

(xi) These norms shall be applicable to the loans which have been restructured and / or rescheduled and/or renegotiated and which are fully or partly secured standard / sub-standard asset.

For the above paragraphs, Restructuring / Re-schedulement / Renegotiation shall cover terms of agreement relating to principal and interest.

However, this section shall not be applicable to the following set of assets:

a) A facility which is backed by Central/State Government Guarantee or by state government undertaking for deduction from central plan allocation or a loan to state department.

b) Loans falling under paragraph 6.2(i).

7 FOREIGN EXCHANGE TRANSACTIONS:

7.1 The following transactions are accounted for at the exchange rates prevailing on the date of the transaction as per Accounting Standard — 11.

(i) Expenses and income in foreign currency; and

(ii) Amounts borrowed and lent in foreign currency.

7.2 The following balances are translated in Indian Currency at the exchange rates prevailing on the date of closing of accounts as per Accounting Standard — 11.

(i) Foreign currency loan liabilities.

(ii) Funds kept in foreign currency account with banks abroad.

(iii) Contingent liabilities in respect of guarantees given in foreign currency.

(iv) Income earned abroad but not remitted / received in India.

(v) Loans granted in foreign currency.

(vi) Expenses and income accrued but not due on foreign currency loans/borrowing.

7.3 Where the Company has entered into a forward contract or an instrument that is, in substance a forward contract, the difference between the forward rate and the exchange rate on the date of transaction is recognized as income or expense over the life of the contract, as per Accounting Standard — 11.

7.4 In case of loan from KFW, Germany, exchange loss, if any, at the year-end is debited to Interest Differential Fund Account — KFW as per loan agreement.

7.5 In accordance with the paragraph 46A of the Accounting Standards (AS) 11, the exchange differences on the long term foreign currency monetary items are amortized over their balance period."

8. Derivative transactions

8.1 Derivative transactions include forwards, interest rate swaps, currency swaps, and currency and cross currency options to hedge on balance sheet assets or liabilities.

8.2 These derivative transactions are done for hedging purpose, and not for trading or speculative purpose. These are accounted for on accrual basis, and are not marked to market.

9 GRANTS FROM GOVERNMENT OF INDIA:

9.1 Where grants are first disbursed to the grantee, the same are shown as amount recoverable from the Govt. of India and are squared up on receipt of amount.

9.2 Where grants are received in advance from Govt. of India, the same are shown as current liabilities till the payments are released to the grantee.

10 INTEREST SUBSIDY FUND

10.1 Interest subsidy for eligible borrowers received from the Ministry of Power, Govt. of India under Accelerated Generation & Supply Programme (AG&SP) on net present value (NPV) basis is credited to Interest Subsidy Fund on receipt and is passed on to the borrowers over the eligible period of loan on respective dates of interest demands. Any excess/shortfall in the Interest Subsidy Fund is refunded or adjusted/charged off on completion of respective scheme.

10.2 Interest Subsidy Fund is credited at the year-end with interest on the outstanding balance in the subsidy fund by debiting Profit &Loss account, at rates specified in the Scheme.

11 R-APDRP FUND

11.1 Amounts received from the Government of India under Re-structured Accelerated Power Development & Reforms Programme (R — APDRP) as a Nodal agency for on lending to eligible borrowers are back to back arrangements with no profit or loss arising to the Company.

12 INCOME/RECEIPT/EXPENDITURE ON SUBSIDIARIES

12.1 Expenditure incurred on the subsidiaries is debited to the account "Amount recoverable from concerned subsidiary".

12.2 Expenses in respect of man days(employees) are allocated to subsidiaries and administrative overheads are apportioned to subsidiaries on estimated basis. Direct expenses are booked to respective subsidiaries.

12.3 Interest on amount recoverable from Subsidiaries is accounted for at the rate of interest applicable for project loan / scheme (generation) to state sector borrower (category A) as per the policy of the Company.

12.4 Amounts received by subsidiaries as commitment advance from power procurers are parked with the Company as inter-corporate loans and interest is provided on unused portion of these loans at the mutually agreed interest rates.

12.5 Request for Qualification (RFQ) document / Request for Proposal (RFP)document developed for subsidiaries (incorporated for UMPP) are provided to subsidiary companies at a price equivalent to sale proceeds of RFQ/RFP document received by the subsidiary companies from the prospective bidders. The same is accounted for as income of the company on receipt from subsidiary company.

12.6 The Company incurs expenditure for development work in the UMPPs. The expenditure incurred is shown as amount recoverable from the respective subsidiaries set up for development of UMPPs. Provisioning / write off is considered to the extent not recoverable, when an UMPP is abandoned by the Ministry of Power, Government of India.

13 EMPLOYEE BENEFITS

13.1 Provident Fund, Gratuity and post-retirement benefits

Company's contribution paid/payable during the financial year towards Provident Fund is charged in the Profit and Loss Account. The Company's obligation towards gratuity to employees and post-retirement benefits such as medical benefits, economic rehabilitation benefit, and settlement allowance after retirement are actuarially determined and provided for as per Accounting Standard — 15 (Revised).

13.2 Other Employee Benefits

The Company's obligation towards sick leave, earned leave, service award scheme are actuarially determined and provided for, as per Accounting Standard — 15 (Revised)

14 INCOME TAX

14.1. Income Tax comprising of current tax is determined in accordance with the applicable tax laws and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period) in accordance with Accounting Standard — 22 on Accounting for Taxes on Income.

Deferred tax charge or credit and corresponding deferred tax liabilities or assets are recognized using tax rates that have been enacted or substantially established by the balance sheet date. Deferred Tax Assets are recognized and carried forward to the extent there is a reasonable certainty that sufficient future taxable income will be available against which such Deferred Tax Assets can be realized.

14.2. Since the Company has passed a Board resolution that it has no intention to make withdrawal from the Special Reserve created and maintained under section 36(1)(viii) of the Income Tax Act, 1961, the special reserve created and maintained is not capable of being reversed and thus it becomes a permanent difference. The Company does not create any deferred tax liability on the said reserve in accordance with the clarification of the Accounting Standard Board of the Institute of Chartered Accountants of India.

15 Cash Flow Statement

Cash flow statement is prepared in accordance with the indirect method prescribed in Accounting Standard — 3 on Cash Flow Statement.

Other Notes on Accounts

1. The Company is a government company engaged in extending financial assistance to power sector.

2. Contingent liabilities:

   (i) Default guarantees issued by the Company in foreign currency :

      a) EURO Nil million equivalents ₹Nil crore (as on 31.03.2011 EURO 0.355 million equivalents to ₹2.27 crore).

      b) US $ 10.94 million equivalent to ₹56.40 crore (as on 31.03.2011 US $ 14.34 million equivalent to ₹64.75 crore).

   (ii) Default guarantee issued by the Company in Indian Rupee ₹371.93 crore (as on 31.03.2011 ₹400.00 crore).

   (iii) Bank guarantee issued by the Company in Indian Rupee ₹135.32 crore (as on 31.03.2011 ₹50.04 crore).

   (iv) Additional demands raised by the Income Tax Department of ₹2.55 crore, ₹4.51 crore, ₹0.36 crore, ₹9.24 crore, ₹7.44 crore, ₹4.67 crore and ₹11.24 crore for Assessment Years 2000-01, 2001-02, 2002-03, 2005-06, 2007-08, 2008-09 and 2009-10 respectively are being contested. Further, the Income Tax Department has filed appeals before ITAT against the orders of CIT (A) allowing relief of ₹22.22 crore, ₹21.13 crore and ₹21.68 crore for AYs 2004-05 to 2006-07, respectively. The same are being contested. The Management does not consider it necessary to make any provision, as the probability of any tax liability devolving on the Company is negligible.

   (v) Claims against the Company not acknowledged as debts are ₹Nil crore (as on 31.03.2011 ₹7.80 crore).

   (vi) Outstanding disbursement commitments to the borrowers by way of Letter of Comfort issued against loans sanctioned is ₹5,730.38 crore as on 31.03.2012 (as on 31.03.2011 ₹5,758.02 crore).

3. Estimated amount of contract remaining to be executed on account of capital contracts, not provided for, is ₹0.57 crore (as on 31.03.2011 ₹3.70 crore).

4. Additional demands raised by the Income Tax Department (net of relief granted by Appellate Authorities) amounting to ₹29.76 crore for Assessment Years 2001-02 to 2009-10 were provided for and are being contested by the Company.

5. The Company creates Debenture Redemption Reserve (DRR) upto 50% of the value of bonds / debentures issued through public issue, during the maturity period of such bonds / debentures.

   The Company is not required to create Debenture redemption reserve in case of privately placed debentures as per circular No. 6/3/2001 — CL.V dated 18.04.2002 of the Government of India, Ministry of Law, Justice Company Affairs, and Department of Company Affairs.

   The Company is not required to maintain reserve fund under section 45 — I C of the Reserve Bank of India Act, 1934 by transferring 20 % of its net profits, as it is exempted by RBI, vide RBI letter dated 24.01.2000.

6. Foreign currency actual outgo and earning:

S.No.	**Description**	**FY ended 31.03.2012**	**FY ended 31.03.2011**
		(₹ in crore)	
A.	**Expenditure in foreign currency**		
i)	Interest on loans from foreign institutions	159.37	108.40
ii)	Financial & Other charges	11.08	57.37
iii)	Traveling Expenses	0.21	0.16
iv)	Training Expenses	0.12	0.10
B.	**Earning in foreign currency**	Nil	Nil

7.1 Related party disclosures:

Key managerial personnel:

Name of the key managerial personnel	
Shri Satnam Singh, CMD	(with effect from 01.08.2008)
Shri M K Goel, Director	(with effect from 27.07.2007)
Shri Rajeev Sharma, Director.	(from 09.03.2009 to 29.11.2011)
Shri R. Nagarajan, Director	(with effect from 31.07.2009)

Managerial remuneration:

	Chairman & Managing Director		**Other Directors**	
	For FY ended 31.03.2012	**For FY ended 31.03.2011**	**For FY ended 31.03.2012**	**For FY ended 31.03.2011**
	(₹ in crore)			
Salaries and allowances	0.42	0.23	0.93	0.66
Contribution to provident fund and other welfare fund	0.02	0.02	0.05	0.05
Other perquisites / payments	0.13	0.13	0.39	0.38
Total	0.57	0.38	1.37	1.09

In addition to the above perquisites, the Chairman & Managing Director and other Directors have been allowed to use staff car including private journey up to a ceiling of 1,000 kms per month on payment of ₹780/- per month.

7.2 Investment in equity share capital of companies incorporated in India as subsidiaries / associates /joint venture companies including companies promoted as Special Purpose Vehicles (SPV) for ultra-mega power projects are given below:-

SL	**Name of the companies**	**Date of investment**	**No. of shares subscribed**	**% of ownership**	**Amount (₹ in crore)**
A	**Subsidiary Company (i)**				
1.	PFC Consulting Limited	09.04.2008	50,000	100%	0.05
2.	PFC Green Energy Limited (ii).	29.07.2011	50,000	100%	4.99
		08.12.2011	44,50,000		
		29.03.2012	4,90,000		
3.	PFC Capital Advisory Services Ltd. (iii)	01.09.2011	1,00,000	100%	0.10
4	Power Equity Capital Advisors(Private) Limited (iv)	15.04.2008	15,000		
		11.10.2011	35,000	100%	0.05
	Sub-Total (A)		**5,190,000**		**5.19**
B	**Subsidiary Companies promoted as SPVs for Ultra Mega Power Projects (v)**				
1.	Coastal Maharashtra Mega Power Limited	05.09.2006	50,000	100%	0.05
2.	Orissa Integrated Power Limited	05.09.2006	50,000	100%	0.05
3.	Coastal Karnataka Power Limited	14.09.2006	50,000	100%	0.05
4.	Coastal Tamil Nadu Power Limited	31.01.2007	50,000	100%	0.05
5.	Chhattisgarh Surguja Power Limited	31.03.2008	50,000	100%	0.05
6.	Sakhigopal Integrated Power Limited	27.01.2010	50,000	100%	0.05
7.	Ghogarpalli Integrated Power Limited	27.01.2010	50,000	100%	0.05
8.	Tatiya Andhra Mega Power Limited	27.01.2010	50,000	100%	0.05
	Sub-Total (B)		**400,000**		**0.40**
C	**Joint venture Companies (i)**				
1	National Power Exchange Limited (vi)	18.12.2008	833,000	16.66%	0.83
		03.09.2010	1,354,015		1.36
2.	Energy Efficiency Services Limited (vii)	21.01.2010	625,000	25%	0.63
	Sub-Total (C)		**2,812,015**		**2.82**
	TOTAL (A) + (B) + (C)		**8,402,015**		**8.41**

(i) The financial statements are consolidated as per Accounting Standard 21 — Consolidated Financial Statements, Accounting Standard 27 — Financial Reporting of Interests in Joint Ventures and Accounting Standard — 23 Accounting For Investment in Associates in Consolidated Financial Statements.

(ii) PFC Green Energy Ltd. (PFCGEL) was incorporated on 30.03.2011 as a wholly owned subsidiary of the Company to extend finance and financial services to renewable and non-conventional sources of energy. The authorized share capital of PFCGEL is ₹1,200.00 crores and paid-up share capital is ₹4.99 crores. The certificate of commencement of business has been received on 30.07.2011.

(iii) PFC Capital Advisory Services Limited (PFCCAS) was incorporated on 18.07.2011 as a wholly owned subsidiary of the Company for providing debt syndication in the areas of power, energy, infrastructure and other industries. The authorized share capital of PFCCAS is ₹1 crore (Rupees one crore) and paid up share capital of the company is ₹0.10 crore. The certificate of commencement of business has been received on 02.09.2011.

(iv) Power Equity Capital Advisors (Private) Limited (PECAP), has become wholly owned subsidiary of the Company on 11.10.2011 after the Company acquired, at par, the remaining 70% ownership from the erstwhile individual owners.

(v) The subsidiary companies were incorporated as SPVs under the mandate from the Government of India for development of ultra-mega power projects (UMPPs) with the intention to hand over the same to successful bidders on completion of the bidding process. The financial statements of these subsidiaries are attached as required under Section 212 of the Companies Act, 1956 without consolidating, in accordance with paragraph 11 of Accounting Standard-21.

(vi) Power Finance Corporation Limited (PFC), NTPC Limited, NHPC Limited and Tata Consultancy Services Limited (TCS), have jointly promoted National Power Exchange Limited (NPEL). NPEL will carry out the business of providing a platform for trading of power through an organised exchange. NPEL has not commenced its operation.

(vii) Energy Efficiency Services Limited (EESL) has been jointly promoted by PFC, NTPC, PGCIL and Rural Electrification Corporation Limited (REC) with equal participation in equity capital for implementing energy efficiency projects. Further, the Company has paid ₹24.38 crore towards additional subscription to equity shares; the allotment of equity shares is awaited from EESL.

7.3 The Company's share of assets, liabilities, contingent liabilities and capital commitment as on 31.03.2012 and income and expenses for the period in respect of joint venture entities based on audited accounts are given below:

SL	Particulars	As at 31.03.2012			As at 31.03.2011		
		NPEL	EESL	Total	NPEL	EESL	Total
		(₹ in crore)					
	Ownership (%)	16.66	25		16.66	25	
A	Assets						
	— Non-Current Assets	0.01	0.09	0.10	0.01	0.13	0.14
	— Current assets	1.45	31.08	32.53	1.76	27.85	29.61
	Total	**1.46**	**31.17**	**32.63**	**1.77**	**27.98**	**29.75**
B	Liabilities						
	— Non-Current liabilities	—	0.00	0.00	—	—	—
	— Current Liabilities	0.04	4.37	4.41	0.12	2.43	2.55
	Total	**0.04**	**4.37**	**4.41**	**0.12**	**2.43**	**2.55**
C	Contingent liabilities	0.01	—	0.01	0.01	—	0.01
D	Capital commitments	—	—	—	—	—	—
		During the FY ended 31.03.2012			**During the FY ended 31.03.2011**		
E	Income	0.12	3.17	3.29	0.07	1.50	1.57
F	Expenses	0.34	1.17	1.51	0.32	0.37	0.69

7.4 The details of amount recoverable (including interest thereon) from the respective subsidiaries are given below:

Name of the Subsidiary Companies	Amount as on 31.03.2012	Amount as on 31.03.2011	Maximum during FY 2011-12	Maximum during FY 2010-11
	(₹ in crore)			
Coastal Maharashtra Mega Power Limited.	5.72	4.88	5.72	4.95
Orissa Integrated Power Limited	73.21	58.40	73.21	58.40
Coastal Karnataka Power Limited.	2.40	2.08	2.40	2.11
Coastal Tamil Nadu Power Ltd.	29.75	18.74	29.75	18.74
Chhattisgarh Surguja Power Limited	50.85	41.05	50.85	41.05
Sakhigopal Integrated Power Limited	1.16	0.65	1.16	0.65
Ghogarpalli Integrated Power Limited	0.90	0.53	0.90	0.53
Tatiya Andhra Mega Power Limited	7.71	5.40	7.71	5.40
PFC Green Energy Ltd.	0.05	2.25	2.25	2.25
PFC Capital Advisory Services Limited	0.01	0.00	0.04	0.00
Total	**171.76**	**133.98**	**173.99**	**134.08**

7.5 The details of amounts payable to subsidiaries (including interest) in respect of amounts contributed by power procurers and other amounts payable are given below:

Name of the subsidiary companies	Amount as on 31.03.2012	Amount as on 31.03.2011	Maximum during FY 2011-12	Maximum During FY 2010-11
	(₹ in crore)			
PFC Consulting Limited	3.09	0.00	3.14	1.99
Coastal Maharashtra Mega Power Limited.	49.39	45.65	49.39	45.65
Orissa Integrated Power Limited	57.49	52.47	57.49	52.47
Coastal Tamil Nadu Power Limited.	54.35	50.02	54.35	50.02
Chhattisgarh Surguja Power Limited	51.08	46.13	51.08	46.13
Sakhigopal Integrated Power Limited	19.23	17.74	19.23	17.74
Ghogarpalli Integrated Power Limited	17.91	16.52	17.91	16.52
Tatiya Andhra Mega Power Limited	23.02	19.26	23.02	19.26
Total	**275.56**	**247.79**	**275.61**	**249.78**

7.6 (i) Investment in “Small is Beautiful” Fund: -

The Company has outstanding investment of ₹7.83 crore (as on 31.03.2011 ₹8.73 crore) in units of Small is Beautiful Fund.The face value of the Fund is ₹10 per unit. The NAV as on 31.03.2011 was ₹10.08 per unit and as on 31.03.2012 is ₹10.33 per unit. As investment in Small is Beautiful Fund is long term investment, the fluctuation in NAV in the current scenario is considered as temporary.

(ii) Investment in equity (unquoted) in Power Exchange India Limited:-

Power Exchange India Ltd. (PXIL) has been promoted by National Stock Exchange (NSE) and National Commodity and Derivatives Exchange Limited (NCDEX). The authorized share capital is ₹100 crore as on 31.03.2012. The paid up capital of PXIL is ₹41.05 crore, as on 31.03.2012. The Company has subscribed ₹2.80 crore of the paid up capital of PXIL.

8. Interest Differential Fund (IDF)— KFW

The agreement between KFW and PFC provides that the IDF belongs to the borrowers solely and will be used to cover the exchange risk variations under this loan and any excess will be used in accordance with the agreement. The balance in the IDF fund has been kept under separate account head titled as Interest Differential Fund — KFW and shown as a liability. The total fund accumulated as on 31.03.2012 is ₹52.01 crore (as on 31.03.2011 ₹49.01 crore), after adjusting the exchange loss of ₹0.98 crore (as on 31.03.2011 ₹15.74 crore).

9. Foreign currency liabilities not hedged by a derivative instrument or otherwise:-

	Amount (in millions)	
Liabilities in Foreign Currencies	**31.03.2012**	**31.03.2011**
USD	392.49	381.76
EURO	24.73	26.66
JPY	41,643.20	42,551.04

10. (a) Asset under finance lease after 01.04.2001:

(i) The gross investment in the leased assets and the present value of the minimum value receivable at the balance sheet date and the value of unearned financial income are given in the table below:

The future lease rentals are given below:-

Particulars	**As on 31.03.2012**	**As on 31.03.2011**
	(₹ in crore)	
Total of future minimum lease payments (Gross Investments)	571.09	541.19
Present value of lease payments	326.58	355.96
Unearned finance income	244.51	185.23
Maturity profile of total of future minimum lease payments (Gross Investment)		
Not later than one year	70.77	77.99
Later than one year and not later than 5 years	172.61	246.56
Later than five years	327.71	216.64
Total	**571.09**	**541.19**
Break up of present value of lease payments		
Not later than one year	41.51	43.28
Later than one year and not later than 5 years	90.75	155.19
Later than five years	194.32	157.49
Total	**326.58**	**355.96**

(ii) The Company had sanctioned an amount of ₹88.90 crore in the year 2004 as finance lease for financing wind turbine generator (commissioned on 19.07.2004). The sanction was reduced to ₹88.85 crore in December 2006. The gross investment stood at the level of ₹32.06 crore as on 31.03.2012. The lease rent is to be recovered within a period of 15 Years, starting from 19.07.2004, which comprises of 10 years as a primary period and 5 years as a secondary period.

(iii) The Company had sanctioned an amount of ₹98.44 crore in the year 2004 as finance lease for financing wind turbine generator (commissioned on 18.5.2004).The gross investment stood at ₹32.87 crore as on 31.03.2012. The lease rent is to be recovered within a period of 20 years, starting from 18.05.2004, which comprises of 10 years as a primary period and a maximum of another 10 years as a secondary period.

(iv) The Company had sanctioned an amount of ₹93.51 crore in the year 2004 as finance lease for financing wind turbine generator (commissioned on 09.06.2005). The gross investment stood at ₹49.94 crore as on 31.03.2012. The lease rent is to be recovered within a period of 19 years 11 months, starting from 09.06.2005, which comprises of 10 years as a primary period and a maximum of 9 years and 11 months as a secondary period.

(v) The Company had sanctioned an amount of ₹228.94 crore in the year 2008 as finance lease for financing wind turbine generator. The gross investment stood at ₹456.23 crore as on 31.03.2012. The lease rent is to be recovered within a period of 25 years, starting from 01.01.2012, which comprises of 18 years as a primary period and a maximum of 7 years as a secondary period.

b) Operating Lease:

The Company's operating leases consists:-

Premises for offices and for residential use of employees are lease arrangements, and are usually renewable on mutually agreed terms, and are cancellable. Rent for residential accommodation of employees include ₹6.55 crore (during FY ended 31.03.2011 ₹6.89 crore) towards lease payments, net of recoveries in respect of premises for residential use of employees in Note Part A 15 — Employee Benefit Expenses. Lease payments in respect of premises for offices are shown as office rent in Note Part A 15 — Employee Benefit Expenses.

11. Subsidy under Accelerated Generation & Supply Programme (AG&SP):

(i) The Company claimed subsidy from Govt. of India at net present value calculated at indicative interest rates in accordance with the GOI's letter vide D.O.No.32024 / 17 / 97 — PFC dated 23.09.1997 and O.M.No.32024 / 23 / 2001 — PFC dated 07.03.2003, irrespective of the actual repayment schedule, moratorium period and duration of repayment. The amount of interest subsidy received and to be passed on to the borrower is retained as Interest Subsidy Fund Account. The impact of difference between the indicative rate and period considered at the time of claims and at the time of actual disbursement can be ascertained only after the end of the respective schemes. However on the basis of the projections made for each project (based upon certain assumptions that these would remain same over the projected period of each loan / project), the Company estimated the net excess amount of ₹5.12 crore and ₹249.91 crore as at 31.03.2012 for IX and X Plan, respectively under AG&SP schemes, and there is no shortfall. This net excess amount is worked out on overall basis and not on individual basis and may vary due to change in assumptions, if any, during the projected period such as changes in moratorium period, repayment period, loan restructuring, pre-payment, interest rate reset etc. Any excess / shortfall in the interest subsidy fund will be refunded or adjusted / charged off on completion of the respective scheme.

(ii) The amount of ₹376.21 crore (as on 31.03.2011 ₹451.87 crore) under the head Interest Subsidy Fund, represents the amount of subsidy received from Ministry of Power, Govt. of India which is to be passed on to the borrowers against their interest liability arising in future, under Accelerated Generation & Supply Programme (AG&SP), which comprises of the following : -

Particulars		**As on 31.03.2012**	**As on 31.03.2011**
		(₹ in crore)	
Opening balance of Interest Subsidy Fund		451.87	663.49
Add :	- Received during the period	—	—
:	- Interest credited during the period	36.01	36.01
:	- Refund by the borrower due to non — commissioning of project in time	17.65	—
Less :	Interest subsidy passed on to borrowers	77.67	117.84
	Refunded to MoP:		
	(a) Estimated net excess against IX Plan	34.00	150.00
	(b) Due to non- commissioning of Project in time	17.65	—
Closing balance of interest subsidy fund		**376.21**	**451.87**

12. Pursuant to the notification GSRNo.914 (E) dated 29.12.2011 issued by the Government of India, Ministry of Corporate Affairs amending Accounting Standard (AS) 11 — The Effects of Changes in Foreign Exchange Rates, the Company has exercised the option under 46A of the amended AS11 and changed the accounting policy to amortize the exchange differences on the long term foreign currency monetary items over the tenure. Consequently, as on 31.03.2012, ₹515.41crore has been carried forward in the Foreign Exchange Monetary Item Translation Difference Account.

Had the Company followed the earlier practice of accounting of exchange differences, the net profit for the year ended 31.03.2012 would have been lower by ₹352.53 crore (net of taxes).

13. (i) The Company has been designated as the Nodal Agency for operationalisation and associated service for implementation of the Re-structured Accelerated Power Development and Reforms Programme (R — APDRP) during XI Plan by the MoP, GoI under it's overall guidance.

Projects under the scheme are being taken up in two parts. Part — A includes the projects for establishment of baseline data and IT applications for energy accounting as well as IT based customer care centers. Part — B includes regular distribution strengthening projects. GoI provides 100% loan for Part A and up to 25% (up to 90% for special category States) loan for Part — B. Balance funds for Part — B projects can be raised by the utilities from PFC / REC / multi-lateral institutions and / or own resources. The loans under Part — A alongwith interest thereon is convertible into grant as per R — APDRP guidelines. Similarly, upto 50% (up to 90% for special category states) of the loan against Part —B project would be convertible in to grant as per R — APDRP guidelines. Enabling activities of the programe are covered under Part — C.

The loans under R — APDRP are routed through the Company for disbursement to the eligible utilities. The amount so disbursed but not converted in to grants as per R — APDRP guidelines will be repaid along with interest to the GoI on receipt from the borrowers.

The details are furnished below:

Particulars	Amount recoverable from borrowers & payable to GOI		R — APDRP Fund		Amount payable to GOI (Interest earned on Fixed Deposit)	
	As at 31.03.2012	As at 31.03.2011	As at 31.03.2012	As at 31.03.2011	As at 31.03.2012	As at 31.03.2011
			(₹ in crore)			
Opening balance	3,902.88	1,646.09	0.00	0.00	6.88	0.11
Additions during the year	1,600.00	2,256.79	1,600.00	2,256.79	4.17	6.29
Disbursements / changes during the year	0.00	0.00	1,600.00	2,256.79	0.00	0.00
Total	**5,502.88**	**3,902.88**	**0.00**	**0.00**	**11.05**	**6.40**
Interest accrued but not due	775.24	413.01	0.00	0.00	0.04	0.48
Closing balance	**6,278.12**	**4,315.89**	**0.00**	**0.00**	**11.09**	**6.88**

(ii) As on 31.03.2012, the total amount of nodal agency fee and reimbursement of expenditure received / receivable by PFC has been as under:-

	During the FY. ended 31.03.2012	Cumulative up-to 31.03.2012	Cumulative up-to 31.03.2011
		(₹ in crore)	
Nodal agency fee*	39.15	128.77	89.62
Reimbursement of expenditure	22.66	61.86	39.20
Total	**61.81**	**190.63**	**128.82**

* Exclusive of Service Tax

(iii) As per Office Memorandum No. 14 / 03 / 2008 — APDRP dated 20th August, 2010 of the MoP, GoI, the total amount receivable against the nodal agency fee plus the reimbursement of actual expenditure will not exceed ₹850 crore or 1.7% of the likely outlay under Part A & B of R — APDRP, whichever is less.

14. The net deferred tax liabilities of ₹87.43 crore (as on 31.03.2011 ₹82.97 crore) have been computed as per Accounting Standard 22 Accounting for Taxes on Income.

The breakup of deferred tax liabilities is given below: -

Description		As on 31.03.2012	As on 31.03.2011
		(₹ in crore)	
(a)	Deferred Tax Asset (+)		
(i)	Provision for expenses not deductible under Income Tax Act	16.49	18.02
(b)	Deferred Tax Liabilities (-)		
(i)	Depreciation	(0.96)	(0.44)
(ii)	Lease income on new leases	(101.58)	(99.69)
(iii)	Amortization	(1.38)	(0.86)
Net Deferred Tax liabilities (-)/Assets (+)		(87.43)	(82.97)

15. In compliance with Accounting Standard — 20 on Earning Per Share issued by the Institute of Chartered Accountants of India, the calculation of Earning Per Share (basic and diluted) is as under:-

Particulars	**FY ended 31.03.2012**	**Previous year 31.03.2011**
Net Profit after tax used as numerator (₹ in crore)	3,031.74	2,619.58
Weighted average number of equity shares used as denominator (basic & diluted)	1,295,000,707	1,147,766,700
Earning per share (basic & diluted) (₹)	23.41	22.82
Face value per share (₹)	10	10

16. The Company has no outstanding liability towards Micro, Small and Medium enterprises.

17. Leasehold land is not amortized, as it is a perpetual lease.

18. Liabilities and assets denominated in foreign currency have generally been translated at TT selling rate of SBI at year end as given below: -

S. No.	**Exchange Rates**	**31.03.2012**	**31.03.2011**
1	USD /INR	51.5300	45.1400
2	JPY / INR	0.6318	0.5484
3	EURO / INR	69.0500	63.9900

In-case of specific provision in the loan agreement for a rate other than SBI TT selling rate, the rate has been taken as prescribed in the respective loan agreement.

19. During the period, the Company has made Follow on Public Offer (FPO) through book building process of 22,95,53,340 number of equity shares of ₹10/- each. The FPO comprised of fresh issue of 17,21,65,005 equity shares of ₹10/- each by the Company and an offer for sale of 5,73,88,335 equity shares of ₹10/- each by the President of India acting through the Ministry of Power, Government of India. The equity shares have been priced at ₹203.00 per equity share for qualified institutional bidders and non-institutional bidders and at ₹192.85 per equity shares (5% of discount on ₹203.00) for retail individual bidders and eligible employees. The Company has raised ₹3,433.65 crore from issue of fresh shares to the public. Post issue, the holding of Government of India in the paid up equity share capital of the Company has come down from 89.78% to 73.72%.The equity shares offered to the public including equity shares offered for sale by the Government of India have been allotted on 24.05.2011 and have been listed in the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE) on 27.05.2011. Accordingly, issued and paid up share capital has increased from ₹1,147.77 crore to ₹1,319.93 crore and an amount of ₹3,241.57 crore (net of issue expenses of ₹19.91) has been taken to securities Premium Reserve. The proceeds of the issue (net of issue expenses) have been utilised fully for the purpose mentioned in the offer document.

20. (i) The Company has made a public issue of 4,70,722 number of infrastructure bonds (secured) at the face value of ₹5,000/- each aggregating to ₹235.36 crore. The bonds have been allotted on 31.03.2011 and have been listed in the Bombay Stock Exchange (BSE) on 11.04.2011. The proceeds of the bond issue have been utilised for the purpose mentioned in the offer document.

(ii) The Company has made a public issue of 1,91,284 number of infrastructure bonds (secured) at the face value of ₹5,000/- each aggregating to ₹95.64 crore during the current year. The bonds have been allotted on 21.11.2011 and have been listed in the Bombay Stock Exchange (BSE) on 02.12.2011. The proceeds of the bond issue have been utilised for the purpose mentioned in the offer document.

(iii) The Company has made public issue of 4,03,31,300 number of tax free bonds (secured) at the face value of ₹1,000 each aggregating to ₹4,033.13 crore during the current financial year. The Bonds have been allotted on 01.02.2012 and have been listed in the BSE on 14.02.2012. The proceeds of the bond issue have been utilised for the purpose mentioned in the offer document.

21. Disclosures as per Accounting Standard —15 :-

A. Provident fund

The Company pays fixed contribution to provident fund at prescribed rates to a separate trust, which invests the funds in permitted securities. The contribution to the fund for the period is recognized as expense and is charged to the profit and loss account.The obligation of the Company is to make such fixed contribution and to ensure a minimum rate of return to the members as specified by GoI. Any short fall for payment of interest to members as per specified rate of return has to be compensated by the Company. The Company estimates that no liability will take place in this regard in the near future and hence no further provision is considered necessary.

B. Gratuity

The Company has a defined gratuity scheme and is managed by a separate trust. The provision for the same has been made on actuarial valuation based upon total number of years of service rendered by the employee subject to a maximum amount of ₹10 lakh.

C. Post Retirement Medical Scheme (PRMS)

The Company has Post-Retirement Medical Scheme (PRMS), under which retired employees and the dependent family member share provided medical facilities in empanelled hospitals.They can also avail of reimbursement of out-patient treatment subject to a ceiling fixed by the Company.

D. Terminal Benefits

Terminal benefits include settlement in home town for employees & their dependents.

E. Leave

The Company provides for earned leave benefit and half-pay leave to the credit of the employees, which accrue on half yearly basis @ 15 days and 10 days, respectively. 75% of the earned leave is encashable while in service and a maximum of 300 days earned leave can be accumulated, which is encashable on superannuation / separation. Half pay leave is encashable on separation after 10 years of service or at the time of superannuation subject to a maximum of 300 days. The liability for the same is recognized, based on actuarial valuation.

The above mentioned schemes (C, D and E) are unfunded and are recognized on the basis of actuarial valuation.

The summarised position of various defined benefits recognized in the profit and loss account, balance sheet are as under{Figures in brackets ( ) represents to as on 31.03.2011}

i) Expenses recognised in Profit and Loss Account

	Gratuity	PRMS	Leave
		(₹ in crore)	
Current service cost	0.99 (0.92)	0.29 (0.26)	1.57 (1.73)
Interest cost on benefit obligation	1.08 (0.84)	0.61 (0.49)	1.31 (0.96)
Expected return on plan assets	-0.94 -0.69	0.00 (0.00)	0.00 (0.00)
Net actuarial (gain) / loss recognised in the year	-0.49 (0.65)	0.60 (0.17)	0.46 (0.65)
Expenses recognised in Profit & Loss Account	*0.64 (1.72)	1.50 (0.92)	*3.34 (3.34)

(*) Includes ₹0.13 crore (as on 31.03.2011 ₹0.10 crore) and ₹0.30 crore (as on 31.03.2011 ₹0.15 crore) and ₹0.13 crore (as on 31.03.2011 ₹Nil crore) for gratuity, leave and PRMS respectively allocated to subsidiary companies.

ii) The amount recognized in the Balance Sheet

	Gratuity	PRMS	Leave
	(₹ in crore)		
Present value of obligation as at 31.03.2012 (i)	14.03 (12.69)	8.33 (7.13)	17.74 (15.47)
Fair value of plan assets at 31.03.2012 (ii)	12.95 (10.57)	0.00 (0.00)	0.00 (0.00)
Difference (ii) — (i)	-1.08 (-2.12)	-8.33 (-7.13)	-17.74 (-15.47)
Net asset / (liability) recognized in the Balance Sheet	-1.08 (-1.72)	-8.33 (-7.13)	-17.74 (-15.47)

iii) Changes in the present value of the defined benefit obligations

	Gratuity	PRMS	Leave
	(₹ in crore)		
Present value of obligation as at 01.04.2011	12.69 (11.18)	7.13 (6.44)	15.47 (12.84)
Interest cost	1.08 (0.84)	0.61 (0.49)	1.31 (0.96)
Current service cost	0.99 (0.92)	0.29 (0.26)	1.57 (1.73)
Benefits paid	-0.40 (-1.04)	-0.30 (-0.23)	-1.07 (-0.71)
Net actuarial (gain)/loss on obligation	-0.33 (0.79)	0.60 (0.17)	0.46 (0.65)
Present value of the defined benefit obligation as at 31.03.2012	14.03 (12.69)	8.33 (7.13)	17.74 (15.47)

iv) Changes in the fair value of plan assets

	Gratuity	PRMS	Leave
	(₹ in crore)		
Fair value of plan assets as at 01.04.2011	10.57 (7.92)	0.00 (0.00)	0.00 (0.00)
Expected return on plan assets	0.94 (0.69)	0.00 (0.00)	0.00 (0.00)
Contributions by employer	1.68 (2.86)	0.00 (0.00)	0.00 (0.00)
Benefit paid	-0.40 (-1.04)	0.00 (0.00)	0.00 (0.00)
Actuarial gain / (loss)	0.16 (0.14)	0.00 (0.00)	0.00 (0.00)
Fair value of plan assets as at 31.03.2012	12.95 (10.57)	0.00 (0.00)	0.00 (0.00)

v) One percent increase / decrease in the inflation rate would impact liability for medical cost of PRMS, as under:-

Cost increase by 1%	₹0.09 crore
Cost decrease by 1%	₹0.05 crore

vi) During the period, the Company has provided liability towards contribution to the Gratuity Trust of ₹0.64 crore, to PRMS of ₹1.50 crore, to leave ₹3.34 crore and to pension ₹2.54 crore (during the FY ended 31.03.2011 towards contribution to the Gratuity Trust of ₹1.79 crore, to PRMS of ₹0.92 crore, to leave ₹3.34 crore and to pension ₹2.28 crore).

F. Other Employee Benefits:-

During the period, provision of ₹(0.01) crore (during the FY ended 31.03.2011 ₹(0.03) crore) has been made for Economic Rehabilitation Scheme for Employees and provision of ₹0.58 crores has been made for Long Service Award for Employees (during the FY ended 31.03.2011 ₹0.65 crore) on the basis of actuarial valuation made at the end of the year by charging/ crediting the profit and loss account.

G. Details of the Plan Asset:-

The details of the plan assets at cost, as on 31.03.2012 are as follows:-

SL	Particulars	FY ended 31.03.2012	FY ended 31.03.2011
		(₹ in crore)	
i)	Government Securities	7.83	6.33
ii)	Corporate bonds / debentures	5.12	4.24
	Total	**12.95**	**10.57**

H. Actuarial assumptions

Principal assumptions used for actuarial valuation are:-

Method used	Projected Unit Credit Method
Discount rate	8.50 %
Expected rate of return on assets — Gratuity	8.92 %
Future salary increase	6.00 %

The estimates of future salary increases considered in actuarial valuation, take into account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

22.1 Details of provision as required in Accounting Standard — 29.

Particulars	FY 2011-12	FY 2010-11
	(₹ in crore)	
Post-Retirement Medical Scheme		
Opening Balance	7.13	6.44
Addition during the year	1.50	0.92
Amount paid / utilised during the period	0.30	0.23
Closing Balance	8.33	7.13
Gratuity		
Opening Balance	1.72	2.76
Addition during the year	0.64	1.79
Amount paid / utilised during the period	1.72	2.83
Closing Balance	0.64	1.72
Pension*		
Opening Balance	4.06	1.78
Addition during the period	2.54	2.28
Amount paid / utilised during the year	0.00	0.00
Closing Balance	6.60	4.06
Leave Encashment		
Opening Balance	15.47	12.84
Addition during the period	3.34	3.34
Amount paid / utilised during the year	1.07	0.71
Closing Balance	17.74	15.47
Wage Revision		
Opening Balance	0.00	6.20
Addition during the period	0.00	0.71
Amount paid / utilised during the year	0.00	6.91
Closing Balance	0.00	0.00
Economic Rehabilitation Scheme for Employee		
Opening Balance	1.26	1.31
Addition during the period	(0.01)	(0.03)
Amount paid / utilised during the year	0.01	0.02

Particulars	FY 2011-12	FY 2010-11
	(₹ in crore)	
Closing Balance	1.24	1.26
Bonus / Incentive/ Base line Compensation		
Opening Balance.	24.52	16.33
Addition during the period.	17.73	17.78
Amount paid / utilised during the period	15.93	9.59
Closing Balance	26.32	24.52
Baggage Allowances		
Opening Balance.	0.05	0.05
Addition during the period.	0.02	0.00
Amount paid / utilised during the period	0.00	0.00
Closing Balance	0.07	0.05
Service Award		
Opening Balance.	2.75	2.10
Addition during the year	0.58	0.65
Amount paid / utilised during the period	0.00	0.00
Closing Balance	3.33	2.75
Income Tax		
Opening Balance.	2,215.13	1,337.29
Addition during the period (including interest ₹4.90 crore u/s 234C)	1,075.78	898.99
Amount refunded / adjusted	(1,290.08)	21.15
Closing Balance	2,000.83	2,215.13
Fringe Benefit Tax		
Opening Balance.	0.80	0.80
Addition during the year	0.00	0.00
Amount adjusted during the period.	0.80	0.00
Closing Balance	0.00	0.80
Proposed Final Dividend		
Opening Balance.	197.99	172.17
Addition during the period.	132.00	197.99
Amount paid / utilised during the period	197.99	172.17
Closing Balance	132.00	197.99
Proposed Corporate Dividend Tax		
Opening Balance.	32.12	29.26
Addition during the year	21.41	32.12
Amount paid / utilised during the period	32.12	29.26
Closing Balance	21.41	32.12

* Pension: The Company provides for defined contribution pension scheme introduced in line with guidelines of the Department of Public Enterprise (DPE).

22.2 The Company has formulated a Corporate Social Responsibility (CSR) policy in line with the Guidelines on Corporate Social Responsibility for Central Public Sector Enterprises issued by the Ministry of Heavy Industries and Public Enterprises (Department of Public Enterprises) vide Office Memorandum F.No.15(3)/2007 -DPE(GM)-GL-99 dated 09.04.2010.

As per the CSR policy approved by the Company, a minimum of 0.5% of the profit after tax of the previous year will be allocated every financial year for CSR Activities. Accordingly, an amount of ₹13.24 crore was provided for during the year ended 31.03.2012 (previous year ₹11.89 crore).

As at 31.03.2012, an amount of ₹32.22 crore has been sanctioned by the Company against CSR expenditure for various projects out of which an amount of ₹21.33 crore has been disbursed till 31.03.2012.

23. The Company has been paying income tax on perquisite to employees in earlier years and till current year. Pursuant to a decision by the Company, the income tax paid for the current year only has been recovered from the employees.

24. (i) Income on account of premium on premature repayment of loan, Income under the head, upfront fees, lead manager fees, facility agent fees, security agent fee and service charges etc. on loans was earlier accounted for in the year in which it was received by the Company. The Company has changed the accounting policy of recognition of all such income from cash basis to accrual basis in the financial year 2011-12.

Due to change in the accounting policy this year, the income on account of the above for the year is higher by ₹0.23 crore. (₹0.23 crore relates to the year 2010-11 and received in 2011-12)

(ii) Accounting policy under para 6 regarding Provision has been realigned to prudential norms / interpretation of prudential norms of the Company. Since the amendment is realignment / clarificatory in nature, there is no financial impact.

25. (i) During the year, the Company has sent letters seeking confirmation of balances as on 31.12.2011 to the borrowers. However, confirmations in a few cases were yet to be received.

(ii) Some of the designated bank accounts opened for making interest payment to bondholders / debenture holders have outstanding balance of ₹0.47 crore are subject to reconciliation / confirmation.

(iii) There are no unpaid / unclaimed bonds, interests on bonds and dividends, which are over 7 years as on 31.03.2012 (previous year ₹Nil).

26. The Capital Funds, Risk Weighted Assets and Capital Risk Adjusted Ratio (CRAR) of the Company are given hereunder:-

	Items	FY 2011-12	FY 2010-11
i)	Capital Fund - a. Tier I (₹ in crore) -	19,544.65	14,197.62
	b. Tier II (₹ in crore)	1,158.61	984.88
ii)	Risk weighted assets(₹ in crore)	127,066.12	96,669.24
iii)	CRAR	16.29%	15.71%
iv)	CRAR — Tier I Capital.	15.38%	14.69%
v)	CRAR — Tier II Capital	0.91%	1.02%

27. The Company has no exposure to real estate sector as on 31.03.2012.

28. The Company does not have more than one reportable segment in terms of Accounting Standard No. 17 on Segment Reporting.

29. Previous year's figures have been re-grouped / re-arranged, wherever practicable to make them comparable.

30. Figures have been rounded off to the nearest crore of rupees with two decimals.

Notes at Part A (A 1 to A 18), Part B and Part C form an integral part of Balance Sheet and Statement of Profit & Loss.

For and on behalf of the Board of Directors

J S AMITABH
Company Secretary

R NAGARAJAN
Director (Finance)

SATNAM SINGH
Chairman and Managing Director

Signed in terms of our report of even date

For N K Bhargava & Co.
Chartered Accountants
Firm Regd. No - 000429N

(N K BHARGAVA)
PARTNER
Membership No - 080624

For RAJ HAR GOPAL & Co.
Chartered Accountants
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(G K GUPTA)
PARTNER
Membership No - 081085

Place : New Delhi
Date : 22.05.2012

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