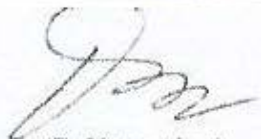


FORM A

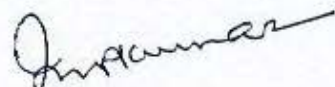
1.	Name of the Company	Power Finance Corporation Limited
2.	Annual financial statements for the year ended	31 st March, 2014
3.	Type of Audit observation	<p>Matter of Emphasis</p> <p>The Statutory Auditors of the Company have audited the financial statements for the FY 2013-14 and have issued audit report without any qualification. However, they have drawn attention in their audit report as given below:-</p> <p>"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."</p> <p>The note no. 13.2 of Note Part-C of other notes to accounts as being referred in the matter of emphasis is as given below:-</p> <p>"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.</p> <p>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.</p> <p>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.</p> <p>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</p>



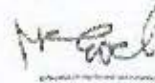
		further instructions in this respect. MoP, GoI, vide its letter dated 15.05.2014 has also requested RBI to consider the implementation strategy as communicated by the Company. The response from RBI is awaited. Since the Company is following norms relating to R/R/R duly approved by MoP, GoI, the management is of the view that RBI norms on R/R/R are not applicable to the Company for the financial year 2013-14."
4.	Frequency of observation	Appeared first time in FY 2013-14



(R. Nagarajan)
Director (Finance)




(J. N. Prasanna Kumar)
Audit Committee Chairman



(M K Goel)
Director (Commercial) and Chairman & Managing Director

For N. K. Bhargava & Co., Chartered Accountants
Firm Regd. No. 000429N



(N. K. Bhargava)
Partner
Membership No. 080624

27-5-2014

For K. B. Chandna & Co., Chartered Accountants
Firm Regd. No. 000862N



(V. K. Gureja)
Partner
Membership No. 016521

