



पावर फाइनेंस कॉर्पोरेशन लिमिटेड
POWER FINANCE CORPORATION LTD.

(भारत सरकार का उपक्रम)

(A Govt. of India Undertaking)

(आई.एस.ओ. 9001:2008 प्रमाणित)

(ISO 9001:2008 Certified)

No: 1:05:138:II:CS

Dated: 02.09.2015

National Stock Exchange of India Limited, Listing Department, Exchange Plaza, Bandra – Kurla Complex, Bandra (E) <u>MUMBAI – 400 051.</u>	Bombay Stock Exchange Limited, Department of Corporate Services, Floor – 25, PJ Towers, Dalal Street, <u>MUMBAI – 400 001.</u>
Kind Attn.: Ms. Rehana Dsouza, Asstt. Vice President	Kind Attn.: Mr. Iyer Gopalkrishnan, GM, Corporate Services.
Fax No.: 022-26598237/38, 022- 66418125/26/24	Fax No.: 022-22723121, 022-22722037/39/41/61

Sub: Annual Report for FY 2014-15 and Form A

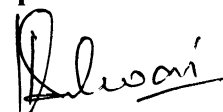
Sir/Madam,

Pursuant to clause 31 of the Listing Agreement, please find enclosed herewith 6 copies of the 29th Annual Report of the Company as issued to the shareholders for the financial year 2014-15 along with a copy of Form A duly signed.

A soft copy of the Annual Report 2014-15 and Form A has already been uploaded on www.connect2nse.com and listing.bseindia.com respectively and has also been emailed at annualreports@nse.co.in / cmist@nse.co.in and corp.relations@bseindia.com respectively.

Thanking you.

Yours faithfully,
For Power Finance Corporation Limited


(Manohar Balwani)
Company Secretary
mb@pfcindia.com

FORM A

1.	Name of the Company	Power Finance Corporation Limited
2.	Annual financial statements for the year ended	31 st March, 2015
3.	Type of Audit observation	<p>Matter of Emphasis The Statutory Auditors of the Company have audited the financial statements for the FY 2014-15 and have issued audit report without any qualification. However, they have drawn attention in their audit report as given below:-</p> <p>"We draw attention to the following in the notes to the financial statements:</p> <p>Note no.18 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 2014-15 for reasons indicated therein."</p> <p>The note no. 18 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. RBI has directed the Company, vide its letter dated 25.07.2013, to take steps to comply with RBI's Prudential Norms by 31.03.2016. Further, RBI vide its letter dated 03.04.2014 has allowed exemption from credit concentration norms in respect of exposure to Central/State Government entities till 31.03.2016.</p> <p>The Company follows its own prudential norms approved by the Ministry of Power (MoP), Govt. of India (GoI) (including revisions approved by BoD in its meeting held on 09.03.2015 subject to the approval of MoP) which inter-alia includes norms for Restructuring/Reschedulement/ Renegotiation (R/R/R) of loans which allows (i) two times restructuring before COD, (ii) exemption to the loans having central/state government guarantee and loans to government department, and (iii) dispensation not to consider extension of repayment schedule without sacrifice as restructuring for government sector borrowers. For R/R/R norms, 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, vide its letter dated 03.04.2014 inter-alia allowing maximum period of delay in DCCO for which a loan can be restructured. The matter regarding applicability of RBI's R/R/R norms was taken up with RBI. In this regard, RBI vide its letter dated 11.06.2014 has allowed exemption from application of its restructuring norms for Transmission & Distribution, Renovation & Modernization and Life Extension projects and also the hydro projects in Himalayan region or affected by natural disasters for a period of 3 years i.e. till 31.03.2017. Further, for new project loans to generating companies restructured w.e.f. 01.04.2015, the provisioning requirement would be 5% and for stock of such outstanding loans as on 31.03.2015 to all generating companies, the provisioning shall commence with a provision of 2.75% with effect from 31.03.2015 and reaching 5% by 31.03.2018. This provision is in addition to the provision for diminution in fair value.</p> <p>The Company vide its letter dated 03.07.2014 has communicated the manner of its implementation to RBI, further reiterated vide Company's letter dated 27.11.2014, inter-alia stating that all new project loans sanctioned with effect from 01.04.2015 to generating companies would be regulated by RBI norms on R/R/R. RBI vide its letter dated 04.02.2015 has informed that the Company's request is under examination.</p> <p>In view of the facts stated above, the Company does not fully apply R/R/R norms prescribed by RBI for NBFCs.</p>

		Accordingly, the Accounting Policy related to Prudential Norms on R/R/R has been amended during the year ended 31.03.2015 which inter-alia requires provision @ 2.75% on restructured standard assets. Thus, during the year ended 31.03.2015 a provision has been made amounting to ₹564.44 crore, on qualifying loans. As on 31.03.2015, these loans comprise of private sector loan ₹20,524.91 crore and Govt. Sector loan Nil. Consequently, profit for the year ended 31.03.2015 has been reduced by ₹513.12 crore, after considering the existing provision on standard loan assets on these restructured loans.
4.	Frequency of observation	Appeared first time in FY 2014-15

Sd/-
(R. Nagarajan)
Director (Finance)
DIN No.:00701892

Sd/-
(J. N. Prasanna Kumar)
Audit Committee Chairman
DIN No.:00200233

Sd/-
(M K Goel)
Chairman & Managing Director
DIN No.:00239813

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

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

Sd/-
(N. K. Bhargava)
Partner
Membership No. 080624

Sd/-
(V. K. Gureja)
Partner
Membership No.016521