

Chairman's Speech

Ladies and Gentlemen,

It gives me immense pleasure to welcome you all to the sixth Annual General Meeting of PTC India Financial Services Limited (PFS). I am happy to share that financial year 2011-12 has seen quantum jump in the all round performance of the Company.

"You have to find what sparks a light in you so that you in your own way can illuminate the world"

Oprah Winfrey

General Overview

Power Sector is a critical sector which lays the foundation for sustained growth and development of the economy. The development of power sector alongwith infrastructure development is receiving increased emphasis from the Central as well as State Governments. Indian economy is the eleventh largest in the world by nominal GDP and third largest by purchasing power parity (PPP). The country is among the fastest growing economies globally, and GDP grew at about 6.5% during FY 2011-12. Higher growth is required in the infrastructure sector to keep pace with the growing GDP.

FY 2011-12 saw a capacity addition of about 26,251 MW in India. The installed capacity addition during the 11th five plan 2007-12 was about 55,000 MW and Government has set a target of nearly 90,000 MW capacity addition during the 12th five year 2012-17. Ministry of Power and Central Electricity Authority (CEA) have projected a total investment requirement in excess of Rs.11 trillion for the power sector during the 12th Plan period. The main sources of financing are expected to be commercial banks, public financial institutions, dedicated infrastructure/power finance institutions, insurance companies, ECB lenders, bilateral/multilateral credit, bond markets and equity markets. PFS is a Systemically Important Non-Deposit Taking Non Banking Finance Company. Being an NBFC dedicated to the energy value chain, PFS is well placed to tap the opportunities since it offers an integrated solution of financial services which include debt (short term and long term) financing, equity investments, fee based syndication and other services as well as carbon credit financing against certified emissions reduction units.

PFS continued and maintained the growth momentum generated during the preceding years, executed the external commercial borrowing agreement with International Finance Corporation (IFC) for borrowing upto USD 50 million, raised Rs.1596 million by way of secured long term tax savings infrastructure bonds which were hugely oversubscribed by the public and forayed into lead institution business during FY 2011-12. The Company contemplates providing consultancy services in the energy value chain and is focused on increasing the fee based and consultancy services income.

“Make your product easier to buy than your competition, or you will find your customers buying from them, not you.”

Mark Cuban

Performance Highlights

FY 2011-12 has been a robust year for PFS and the Company performed well on most of the parameters. The total income of the Company increased to Rs.3071.99 million in 2011-12 from Rs.1088.52 million in 2010-11 whereas operating income increased to Rs.3066.39 million in 2011-12 from Rs.1088.28 million, recording a growth of 182%. Profit before Tax (PBT) of PFS increased from Rs.514.31 million in 2010-11 to Rs.2016.41 million in 2011-12, thereby, recording a growth of 292%. Similarly, profit after tax (PAT) increased by 316%, from Rs.370.27 million in 2010-11 to Rs.1540.43 million in 2011-12.

Total expenditure during the year 2011-12 increased to Rs.1055.58 million from Rs.574.21 million in 2010-11. Finance costs increased to Rs.686.12 million during 2011-12 from Rs.443.76 million during 2010-11. Employee benefits expense increased to Rs.44.14 million during 2011-12 from Rs.18.40 million in 2010-11 and other expenses increased to Rs.237.24 million in 2011-12 from Rs.57.54 million in 2010-11. The Company has transferred an amount of Rs.308.09 million during the year to Statutory Reserve in accordance with the requirements of Section 45-IC of the Reserve Bank of India Act, 1934.

The amount of loan sanctioned during 2011-12 aggregated to Rs.36,923 million compared to Rs.17,030 million in 2010-11. The level of disbursement of debt during the year was Rs.6,241.75 million compared to Rs.6,236.64 million during the previous year. The number of new projects for which financial assistance was sanctioned during the year was 28 taking the total number of sanctioned projects till 31st March, 2012 to 90. Effective commitments for debt

as at 31st March, 2012 were Rs.58,364 million compared to Rs.33,649 million as at 31st March, 2011. The loan portfolio of the Company is well diversified and includes all types of projects such as thermal, renewable, EPC for transmission projects and carbon financing. The Company has also developed a product to finance purchase of power on the energy exchanges. PFS gives utmost priority to realization of amounts due towards principal and interest and, recovered loans aggregating to Rs. 617.3 million and realized interest of Rs.1258.2 million during the year. During the year, the disbursements on account of equity investments were Rs. 224.62 million and PFS divested its equity stake in 2 companies which resulted in a gain of Rs.1,272.43 million.

“The starting point for energy security today as it has always been is diversification of supplies and sources.”

Daniel Yergin, Winner of Pulitzer Prize

The Company diversified its fund base to increasingly include the cost effective resources such as external commercial borrowings, infrastructure bonds and short term borrowings to meet its loan disbursement obligations. A large part of the requirement for the year was met out of the proceeds from Initial Public Offering raised during the last month of previous financial year. The Company raised Rs.1596.05 million by way of infrastructure bonds and USD 26 million by way of ECBs during the financial year. The cost advantage offered by such products helped the Company in lowering its overall cost of funds from 10.47% in FY 2010-11 to 10.13% during FY 2011-12. The Company is focused to further optimize its cost of funds in view of the ECB facility available from IFC for drawdown during FY2012-13.

PFS has put in place a comprehensive risk management framework and is continuously working to upscale the same to match the organizational and operational growth. PFS has adopted an Environmental and Social Management System (ESMS) appropriate to its applicable investment portfolio of projects and the same has also been approved by International Financial Institutions like DEG and IFC. PFS has complied with all the norms prescribed by the Reserve Bank of India including the Fair Practices, AML/CFT & Know Your Customer (KYC) guidelines and also all mandatory accounting standards notified by the Central Government under the Companies (Accounting Standards) Rules, 2006.

Credit Ratings

During the year ended 31st March, 2012, the long term bank borrowings of the Company have been rated [ICRA] A+ by ICRA and Non Convertible Debentures have been rated [ICRA] A+ by ICRA, CARE A+ by CARE and BWR AA by Brickwork. The Company's commercial paper programme has been awarded the rating of A1+ by ICRA.

Corporate Governance

PFS is committed to maintain the highest standards of Corporate Governance which are based upon appropriate composition of Board of Directors, timely information to Board and its Committees, transparency and fairness in all dealings, adequate disclosures, compliance with applicable laws and regulations, risk management, internal controls, ethical behavior, accountability and ultimate target of maximizing the shareholders' value. Being a finance Company, PFS has to regularly pursue businesses that maximize returns while effectively managing the inherent risks. Decision making and execution is driven by its governance structure, ethics and value systems. PFS's philosophy of Corporate Governance embodies the dual goals of protecting the interests of all stakeholders while respecting the duty of the Board and Senior Management to oversee the affairs of a company and promote long-term growth and profitability.

"Innovation distinguishes between a leader and a follower."

Steve Jobs, Co-founder, Apple

Other initiatives

PFS provides financial assistance and promotes investments with the purpose of fostering economic growth and sustainable development while at the same time remaining financially viable in the long term. PFS has adopted ESMS policy to assess the development impact of the applicable individual projects. The projects are monitored to ensure the compliance with the General Environment Health and Safety guidelines and Relevant Sectoral Environment Health and Safety guidelines. PFS partnered with Financial Express and Emergent Ventures in FE-EVI Green Business Survey & Leadership Award for the year 2011-12 which is an initiative to understand how Indian businesses are fighting climate change and undertaking sustainability initiatives.

The projects funded by PFS, besides augmenting the generation capacity of India, also spur commercial activities in the ancillary industries and employment opportunities through contractors/ sub contractors. Most of the projects, being based in non urban areas, stimulate entrepreneurial opportunities in non urban areas for various services required such as operation and maintenance, residential accommodation of staff, medical facilities, education, sanitation and recreation etc. These projects also lead to other related development in the infrastructure sector such as roads, railways network, telecommunications, water supply, sanitation, sewerages and waste management leading to sustainable inclusive growth which inter-alia, helps in improving living standards of the community.

“Always deliver more than expected.”

Larry Page, Co-founder, Google

Power Sector – Potential despite constraints

The energy-mix of India comprises projects based on both non-renewable (coal, lignite, petroleum and natural gas) and renewable energy sources (wind, solar, small hydro, biomass, cogeneration bagasse etc). Despite the challenges such as management and execution of power projects, availability of fuel, land acquisition, environmental clearances, financial condition of State Power Utilities, the investment climate in the power sector has witnessed higher investment flows than envisaged. The planned capacity addition which will not only lead to setting up of power plants but also stimulate investments in other areas such as transmission lines, distribution networks, setting up of more EPC contractors, investment in logistics for movement of heavy machinery, transportation network for fuel etc, presents us with enormous opportunities of providing financial assistance in the sector. The country is looking at building a strong renewable energy portfolio in coming years. Government of India is offering a number of incentives for developing renewable energy projects and RPO requirements set by state regulators and REC mechanism are expected to create demand for renewable energy.

“Whatever the situation, actions, not plans, generate lessons that help you test your hypothesis against reality.”

Reid Hoffman and Ben Casnocha

Future Outlook

Indian power sector has made considerable progress and has evolved to a developing market on the back of policy reforms and increased private sector participation. Indian companies have shown a huge interest in power generation and the changes in power procurement through competitive bidding have driven investments in the sector. The sector requires huge investments and plays a key role in industrialization and growth of India. PFS has emerged as an organization exclusively devoted to the sector. The Company expects to continue to maintain the growth momentum. The future of the sector looks quite promising with the Government setting an ambitious target for generation capacity addition of over 90,000 MW during the Twelfth Five Year Plan with the objective to achieve GDP growth rate of 8%, power for all at affordable prices and reliability of supply. The planned capacity addition during the ensuing plan will also trigger development and investments in the related areas such as transmission and distribution, EPC contractors, logistics etc.

The power sector currently also faces serious concerns on account of financial health of distribution companies, availability of the domestic coal, limitations on import of coal, delays in land acquisition and obtaining clearances. These factors may have impact on slowing down the implementation of private power projects and consequently credit off-take. However, Government of India has initiated the process of reforms in the sector by initiating steps to ensure coal availability at the generating stations. Ministry of Power is working on a loan restructuring programme for state electricity utilities and several electricity boards / distribution companies have raised the tariffs during the past year to improve liquidity and ensure sufficiency of funds to buy power. PFS is trying to address the concerns in the sector by strengthening its due diligence process, risk mitigation measures and project monitoring mechanism. Despite facing challenges, PFS constantly endeavors to find opportunities in those challenges. Interest rates have risen in last few quarters and despite, banks increasing their base rates during FY 2011-12, PFS has been able to maintain its overall cost of borrowings. The Company will continue to broad-base its sources of funding and pursue the banks and other lenders for lowering the spread charged from PFS for on-lending and also endeavor to develop new products and initiatives.

“No matter how brilliant your mind or strategy, if you’re playing a solo game, you’ll always lose out to a team”

Reid Hoffman and Ben Casnocha

Appreciation

I would like to place appreciation on behalf of Board of Directors of the Company and on my behalf for the esteemed promoters of our assisted projects, PTC India Limited – the holding Company, Ministry of Power, Ministry of Finance, Reserve Bank of India, SEBI, NSE, BSE, investors, banks and consortium partners for their continued support and confidence. I also extend my sincere thanks to my colleagues on the Board for their involvement and matured counsel. I would also like to acknowledge the contribution of employees of PFS for their hard work, professionalism and commitment towards the Company's performance. I would like to assure that the Company, in coming years, would work with great commitment to meet the expectations of all the stakeholders.

Thank you very much ladies and gentlemen.

Tantra Narayan Thakur
Chairman & Managing Director