

### 3.9 HR Committee

HR Committee has been constituted to consider and submit their recommendations to the Board of Directors on all HR related matters before they are submitted to the Board for approval.

As on March 31, 2019 the HR Committee comprised of the following:

Name	Designation
Shri P. K. Singh (w.e.f. August 10, 2018)	Chairman
Shri Chinmoy Gangopadhyay	Member
Shri N. B. Gupta	Member

During the FY 2018-19, three meetings of the HR Committee were held on (i) June 11, 2018 (ii) August 14, 2018 and (iii) October 18, 2018.

The detail of the meetings attended by members during the FY 2018-19 is as follows:

Name of the Members	Designation	No. of Meetings	
		Held during the tenure	Attended
Shri Rajeev Sharma Additional Charge of Director (Commercial) (w.e.f. June 1, 2018 till August 9, 2018)	Chairman and Managing Director	1	1
Shri Chinmoy Gangopadhyay	Director (Projects)	3	2
Shri N.B Gupta	Director (Finance)	3	3
Shri P.K Singh (w.e.f. August 10, 2018)	Director (Commercial)	2	2

### 4. General Body Meeting

The details of the last three Annual General Meetings of the company are as under:

AGM	Date	Day	Time	Location	Special Resolution
30 <sup>th</sup>	August 19, 2016	Friday	11.00 A.M.	Weightlifting Auditorium, Jawaharlal Nehru Stadium, Lodhi Road, New Delhi-03.	<ul style="list-style-type: none"> <li>Modification in existing borrowing limit approved under section 180 (1) (c) of the Companies Act 2013.</li> <li>For Raising funds upto ₹ 55,000 crore through issue of Bonds/ Debentures etc. on Private Placement basis in India or outside India.</li> </ul>
31 <sup>st</sup>	September 20, 2017	Wednesday	11.00 A.M.	Talkatora Indoor Stadium, Talkatora Garden, New Delhi – 04.	<ul style="list-style-type: none"> <li>For Raising funds upto ₹ 65,000 crore through issue of Bonds/ Debentures/ notes/ debt securities on Private Placement basis in India and/or outside India.</li> </ul>
32 <sup>nd</sup>	September 11, 2018	Tuesday	11.30 A.M.	Talkatora Indoor Stadium, Talkatora Garden, New Delhi – 04.	<ul style="list-style-type: none"> <li>Appoint Smt. Gouri Chaudhury, 76 years, as an Independent Director of the Company.</li> <li>For Raising funds upto ₹ 65,000 crore through issue of Bonds/ Debentures/ notes/debt securities on Private Placement basis in India and/or outside India.</li> <li>Approve scheme of arrangement for Amalgamation of PFC Green Energy Limited with PFC and their respective shareholders and creditors under Sections 230-232 of Companies Act, 2013.</li> </ul>

Further, an Extra Ordinary General Meeting (EGM) of the Company was held on Tuesday, March 19, 2019 at 10:30 A.M. at Dr, SRKVS Auditorium (Dr. Sarvepalli Radhakrishnan Auditorium), Kendriya Vidyalaya No. 2, Near APS Colony, Gurgaon Road, Delhi Cantt., New Delhi-110010 to seek approval of the shareholders to enter into a Related Party Transaction (RPT) for acquiring Gol's 1,03,93,99,343 fully paid up equity shares of REC Limited together with management control.

#### POSTAL BALLOT

No Special Resolution was passed last year through Postal Ballot. Further, no special resolution is proposed to be conducted through postal ballot upto the ensuing AGM.

#### 5. Disclosures

The Company has not entered into any materially significant related party transaction that may have any potential conflict with the interest of the Company. Further, the Company did not enter into any significant related party transactions with board members where they had personal interest. Further, pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the company has formulated a "Policy on Related Party Transaction" and the same is available at [http://www.pfcindia.com/Default/ViewFile/?id=1561552784406\\_Final%20Policy%20on%20RPT%2017052019.pdf&path=Page](http://www.pfcindia.com/Default/ViewFile/?id=1561552784406_Final%20Policy%20on%20RPT%2017052019.pdf&path=Page).

Neither any penalty nor any stricture has been imposed by SEBI, Stock Exchanges or any other Statutory Authority on any matter relating to capital market during the last three years. However, during FY 2018-19, the Company was in receipt of notices of penalty from National Stock Exchange and Bombay Stock Exchange for non-compliance of the requirement of composition of the Board and Nomination and Remuneration Committee.

The Company has in place an Internal Complaints committee to examine the cases related to sexual harassment under the "Sexual Harassment of Women at Work Place (Prevention, Prohibition and Redressal) Act 2013. During the FY 2018-19, no complaint has been filed under the said Act.

In terms of the requirements under Section 177 of the Companies Act, 2013 read with the relevant Rules and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is required to, inter-alia, establish a 'Vigil Mechanism'/'Whistle Blower Policy' for Directors and Employees to report their genuine concerns or grievances, about unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct or ethics policy. As an integral part of such Vigil Mechanism, the Whistle Blower Policy of PFC has been put in place and it is affirmed that no personnel has been denied access to the Audit Committee. The same is available at [http://www.pfcindia.com/Default/ViewFile/?id=1490188785276\\_WBP.pdf&path=Page](http://www.pfcindia.com/Default/ViewFile/?id=1490188785276_WBP.pdf&path=Page).

Pursuant to the requirements under Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the company has formulated a "Policy on Material Subsidiary" and the same is available at [http://www.pfcindia.com/Default/ViewFile/?id=1561552854274\\_Final%20Policy%20for%20Material%20Subsidiary17052019.pdf&path=Page](http://www.pfcindia.com/Default/ViewFile/?id=1561552854274_Final%20Policy%20for%20Material%20Subsidiary17052019.pdf&path=Page)

No item of expenditure was debited in books of accounts which was not for the purpose of the business. Further, no expense was incurred which was personal in nature and was incurred for the Board of Directors and Top Management.

Your Company has broadly complied with all the requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Guidelines on Corporate Governance for Central Public Sector Enterprises issued by Ministry of Heavy Industries and Public Enterprises, Department of Public Enterprises, Government of India. Information on adoption / non-adoption of the non-mandatory requirements is given at **Annexure A** of this Report.

The Company has laid down the procedures to inform the board about the risk assessment and minimization. The Board of Directors of the company periodically reviews these procedures to ensure risks are managed through a properly defined framework.

The total fee paid by your company to the Statutory Auditors is ₹ 1.09 crore.

In the preparation of financial statements, the Company has followed Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended) with effect from April 1, 2018, issued by the Ministry of Corporate Affairs, to the extent applicable.

#### 6. Means of Communication

The company recognizes communication as a key element of the overall Corporate Governance framework and therefore emphasizes continuous, efficient and relevant communication to public at large. The Company communicates with its

shareholders through its annual report, general meeting, newspapers and disclosures through website. The Company also communicates with its institutional shareholders through investor conferences, conference calls etc. While the Quarterly/Annual Financial results are published in national newspapers like The Times of India, Hindustan Times, Economic Times, Business Standard, The Financial Express, Hindustan (Hindi), Amar Ujala (Hindi), Jansatta, Dainik Bhaskar, Dainik Jagran (Hindi), Indian Express, etc., the same are also available on the website of the Company, viz. www.pfcindia.com and are also submitted to stock exchanges for wider dissemination.

All important information pertaining to the Company is mentioned in the Annual Report of the Company containing inter-alia audited accounts, consolidated financial statements, directors' report, auditors' report, report on corporate governance which is circulated to the members and other entitled persons for each financial year.

## 7. CEO/CFO certification

As required by SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Certificate duly signed by CEO i.e. Chairman & Managing Director and CFO i.e. Director (Finance) was placed before the Board of Directors at its meetings held on May 29, 2019 (Copy enclosed at **Annexure B** of this Report).

## 8. Compliance with applicable laws

The company has a robust Compliance monitoring system in place. The Board periodically reviews the status of compliances to ensure proper compliance of all laws applicable to the company.

## 9. Code of Conduct

The Code of Business Conduct and Ethics for the Board Members and Senior Management is a comprehensive code applicable to all Directors and Members of Senior Management of your Company. It is in alignment with Company's vision and values to achieve the Mission & Objectives and aims at enhancing ethical and transparent process in managing the affairs of the Company. A copy of the Code has been made available on the website of the Company i.e. www.pfcindia.com.

Based on the affirmation received from Board Members and Senior Management Personnel, declaration regarding compliance of Code of Conduct made by the Chairman & Managing Director is enclosed at **Annexure C** of this Report.

## 10. Code for Prevention of Insider Trading

In pursuance of Securities and Exchange Board of India (Prohibition of Insider Trading) (Amendment) Regulations, 2018, your Company has reviewed & redrafted the comprehensive Code i.e. "Code of Practices & Procedures for Fair Disclosure of Unpublished Price Sensitive Information and Conduct for Regulating, Monitoring & Reporting of Trading in the Securities of Power Finance Corporation Limited" to preserve the confidentiality and to prevent misuse of un-published price sensitive information. All Designated Employees and other Connected Persons as mentioned in the Code have a duty to safeguard the confidentiality of all such information obtained in the course of his or her assignment at the company and not to misuse his or her position or information to gain personal benefit or to provide benefit to any third party. The code lays down guidelines and procedures to be followed and disclosures to be made while dealing with the securities of the Company and the consequences of non-compliance. The Company Secretary has been appointed as Compliance Officer and is responsible for ensuring adherence of the said Code.

In line with the requirement of the said Code, trading window was closed from time to time, whenever some price sensitive information was submitted to the Board. The Compliance Officer notified the closure of trading window on the website of the company well in advance restraining all the employees and other connected person not to deal in the securities of the Company when the trading window is closed.

The copy of the "Code of Practices & Procedures for Fair Disclosure of Unpublished Price Sensitive Information and Conduct for Regulating, Monitoring & Reporting of Trading in the Securities of Power Finance Corporation Limited" is also available on the company website ([http://www.pfcindia.com/Default/ViewFile/?id=1558715955387\\_Insider%20Trading%20Code.pdf&path=Page](http://www.pfcindia.com/Default/ViewFile/?id=1558715955387_Insider%20Trading%20Code.pdf&path=Page))

## 11. Shareholders Information

### a) Annual General Meeting

Date	Time	Venue
August 27, 2019	11.00 A.M.	Talkatora Indoor Stadium, New Delhi -110004

**b) Financial calendar for FY 2019-20 (Tentative)**

Particulars	Date
Financial year	April 1, 2019 to March 31, 2020
Un-audited financial results for the first three quarters	Will be announced within 45 days from the end of each quarter.
Audited Financial Results	Audited Financial Results will be announced on or before May 30, 2020.
<b>AGM (Next year)</b>	August 2020

**c) Date of Book Closure**

The Register of Members and Share Transfer Books of the Company will remain closed from August 22, 2019 to August 27, 2019 inclusive of both days.

**d) Payment of Dividend**

The Board of Directors of your Company have not recommended any dividend during the FY 2018-19.

Pursuant to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the company has formulated a "Dividend Distribution Policy", annexed herewith at **Annexure D** of this Report and the same is available at [http://www.pfcindia.com/Default/ViewFile/?id=1546009180778\\_Dividend Distribution.pdf&path=Page](http://www.pfcindia.com/Default/ViewFile/?id=1546009180778_Dividend Distribution.pdf&path=Page).

**e) Dividend History**

Year	Total Paid-up Capital (₹ in crore)	Total Amount of Dividend paid (₹ in crore)	Rate of Dividend (%)	Date of Payment (Interim & Final)
2013-14	1320.03 (Interim)	1161.63	88	February 17, 2014
	1320.04 (Final)	26.40	2	October 10, 2014
	<b>Total</b>	<b>1188.04</b>	<b>90</b>	–
2014-15	1320.04 (Interim)	1122.04	85	March 13, 2015
	1320.04 (Final)	79.20	6	October 8, 2015
	<b>Total</b>	<b>1201.24</b>	<b>91</b>	–
2015-16	1320.04 (1 <sup>st</sup> Interim)	1161.64	88	January 4, 2016
	1320.04 (2 <sup>nd</sup> Interim)	594.02	45	February 24, 2016
	1320.04 (Final)	79.20	6	September 1, 2016
	<b>Total</b>	<b>1834.86</b>	<b>139</b>	–
2016-17	2640.08 (Interim)	1320.04	50	April 7, 2017
	<b>Total</b>	<b>1320.04</b>	<b>50</b>	–
2017-18	2640.08 (1 <sup>st</sup> Interim)	1584.05	60	November 23, 2017
	2640.08 (2 <sup>nd</sup> Interim)	475.21	18	March 19, 2018
	<b>Total</b>	<b>2059.26</b>	<b>78</b>	–

**f) Listing on Stock Exchanges**

PFC shares are listed on the following stock exchanges:

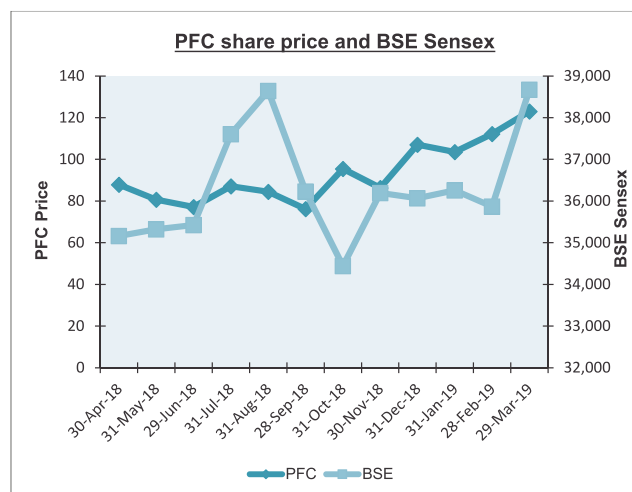
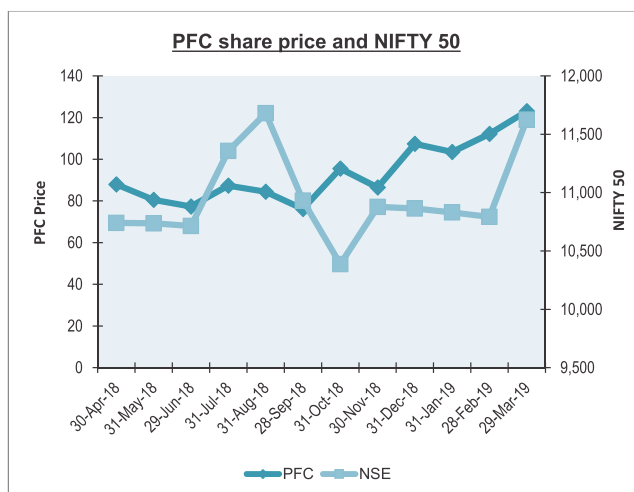
<b>National Stock Exchange of India Limited (NSE)</b> Exchange Plaza, Bandra – Kurla Complex, Bandra (E) Mumbai – 400 051 Scrip Code: PFC EQ	<b>Bombay Stock Exchange Limited (BSE)</b> Floor – 25, PJ Towers, Dalal Street, Mumbai – 400 001 Scrip Code: 532810
Stock Code (ISIN) : INE134E01011	

The annual listing fees for the FY 2019-20 have been paid to NSE and BSE.

g) Market Price Data

Month	High (₹)		Low (₹)		Closing (₹)	
	NSE	BSE	NSE	BSE	NSE	BSE
April'18	90.55	90.60	82.65	82.80	87.95	87.90
May'18	90.15	90.15	71.05	71.20	80.55	80.70
June'18	85.95	88.00	73.40	73.35	77.30	77.15
July'18	87.85	87.65	67.50	67.60	87.30	87.10
August'18	88.80	88.75	78.50	78.60	84.40	84.50
September'18	90.70	90.70	72.90	72.45	76.10	76.15
October'18	96.15	96.00	72.25	72.35	95.50	95.50
November'18	108.55	108.50	86.00	86.00	86.45	86.35
December'18	108.00	107.70	83.10	83.35	107.35	107.05
January'19	110.30	110.20	98.30	98.45	103.55	103.55
February'19	113.75	113.70	98.00	98.15	112.15	112.20
March'19	124.30	124.20	106.80	106.95	123.10	123.00

h) Performance in comparison to indices



i) Registrar and Transfer Agent for Equity Shares

**Communication Address**

Karvy Fintech Private Limited  
"Karvy Selenium Tower B", Plot No. 31 & 32,  
Financial District, Nanakramguda, Gachibowli,  
Hyderabad-500 032, Telangana, India  
Tel: +91 40 67162222

Email: [einward.ris@karvy.com](mailto:einward.ris@karvy.com)

Website: [www.karvyfintech.com](http://www.karvyfintech.com)

#### j) Share Transfer System

Transfer of equity shares in electronic form are done through the depositories with no involvement of the Company. Share transactions are simpler and faster in electronic form. After a confirmation of a sale/purchase transaction from the broker, shareholders should approach the depository participant with a request to debit or credit the account for the transaction. The depository participant will immediately arrange to complete the transaction by updating the account. There is no need for separate communication to the Company to register the transfer.

SEBI, effective April 1, 2019, barred physical transfer of shares of listed companies and mandated transfers only through demat. However, investors are not barred from holding shares in physical form.

#### k) Details of Demat Suspense Account

The details of shares in the Demat Suspense account as on March 31, 2019 is as follows:

Description	No. of Cases	No. of Shares
Aggregate number of shareholders and the outstanding shares in the suspense account lying at the beginning of the year i.e. April 1, 2018	4	1592
Number of shareholders who approached the Company for transfer of shares from suspense account during the year 2018-19	0	0
Less: Number of shareholders to whom shares were transferred from suspense account during the year 2018-19	0	0
Less: Number of shares which were transferred to IEPF Account during the year 2018-19	1	160
Aggregate number of shareholders and the outstanding shares in the suspense account lying at the end of the year i.e. March 31, 2019	3	1432

The voting rights in respect of the said shares will be frozen till the time rightful owner claims such shares.

#### l) Distribution of shareholding

- Distribution of shareholding as on March 31, 2019

S. No.	Amount	No. of shareholders	% of shareholders	Amount (₹)	% of shares
1	1-5000	2,27,450	84.60	33,32,56,580	1.26
2	5001-10000	23,850	8.87	19,16,07,750	0.73
3	10001-20000	9,889	3.68	14,76,93,810	0.56
4	20001-30000	2,659	0.99	6,82,49,930	0.26
5	30001-40000	1,277	0.47	4,61,67,620	0.18
6	40001-50000	903	0.34	4,23,67,470	0.16
7	50001-100000	1,436	0.53	10,43,58,430	0.40
8	100001 & Above	1,391	0.52	25,46,71,12,490	96.46
	<b>Total</b>	<b>2,68,855</b>	<b>100</b>	<b>26,40,08,14,080</b>	<b>100</b>

- Shareholding pattern as on March 31, 2019

Category	Total No. of shares	% to Equity
President of India	1,55,88,89,417	59.05
Foreign Portfolio Investors	43,74,43,521	16.57
Mutual Funds	31,12,52,890	11.79
Insurance Companies	16,38,27,217	6.21
Resident Individuals	10,57,42,493	4.01
Bodies Corporate	2,10,32,419	0.80
Banks	1,09,49,607	0.42
Indian Financial Institutions	76,04,728	0.29
HUF	58,55,193	0.22
Clearing Members	58,20,168	0.22
Trusts	33,27,216	0.13
Non Resident Indians	28,65,120	0.11
Foreign Institutional Investors	15,92,316	0.06
Employees	13,38,147	0.05
NBFC's	11,88,678	0.05
Non Resident Indian non repatriable	10,20,453	0.04
Alternate Investment Fund	2,94,990	0.01
IEPF	36,835	0.00
<b>Total</b>	<b>2,64,00,81,408</b>	<b>100</b>

**m) Dematerialization of shares**

Number of shares held in dematerialized form with NSDL, CDSL and physical mode as on March 31, 2019.

Description	No. of Shares	% to total Capital Issued
NSDL	2,59,50,70,572	98.30
CDSL	4,49,71,184	1.70
Physical	39,652	0.00
<b>Total</b>	<b>2,64,00,81,408</b>	<b>100</b>

**n) Outstanding GDR and ADR Warrants or any convertible instruments, conversion date and likely impact on equity**

No GDR and ADR Warrants/Convertible Instruments have been issued by the Company.

**o) Commodity price risk or foreign exchange risk and hedging activities**

Your Company has put in place Currency Risk Management (CRM) policy to manage risks associated with foreign currency borrowings. The Company enters into hedging transactions to cover exchange rate and interest rate risk through various instruments like currency forward, option, principal swap and forward rate agreements.

**p) Address for correspondence**

**Registered Office**

'Urjanidhi',  
1, Barakhamba Lane,  
Connaught Place,  
New Delhi- 110001



**Company Secretary**

Shri Manohar Balwani

Tel: +91 11 23456020

Fax: +91 11 23456786

e-mail: [investorsgrievance@pfcindia.com](mailto:investorsgrievance@pfcindia.com)
**q) List of all Credit Ratings**
**Domestic**

Credit Ratings by Domestic credit rating agencies for domestic program of the Company as at March 31, 2019:

S. No.	Rating Agency	Long Term Rating	Short Term Rating
1.	CRISIL	CRISIL AAA	CRISIL A1+
2.	ICRA	ICRA AAA	ICRA A1+
3.	CARE	CARE AAA	CARE A1+

**International**

Long term foreign currency issuer rating assigned to the Company as at March 31, 2019:

S. No.	Rating Agency	Rating
1.	Fitch Ratings	BBB-
2.	Standard & Poor (S&P)	BBB-
3.	Moody's	Baa3

The rating as mentioned above stands same during the year.

**r) Preferential Allotment/Qualified Institutions placement**

During the year, company has not raised any money by way of Preferential Allotment/Qualified Institutions placement of shares or other convertible securities.



## Annexure A of Report on Corporate Governance

### Non-Mandatory Requirements

The status of non-mandatory requirements pertaining to Corporate Governance Section of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is as follows:

1. **The Board:** The Company is headed by an executive Chairman.
2. **Shareholder Rights:** The quarterly financial results of the Company are published in leading newspapers as mentioned under the heading "Means and Communication" of the Corporate Governance report and also displayed on the website of the Company.
3. **Modified opinion(s) in audit report:** It is always Company's endeavour to move towards a regime of financial statements with unmodified audit opinion.
4. **Reporting of Internal Auditor:** The Internal auditors of the company are invited to the Meetings of the Audit Committee and regularly interact with the members of the Audit committee.

## Annexure B of Report on Corporate Governance

### Certificate to the Board of Directors under Regulation 17(8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

**We hereby certify to the Board of Directors that:**

We have reviewed financial statements and the cash flow statement for the year ended 31.03.2019 and that to the best of our knowledge and belief:

- i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
- ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.

We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

We have indicated to the auditors and the Audit Committee:-

- i) Significant changes in internal control over financial reporting during the year;
- ii) That the Company has adopted Indian Accounting Standards (Ind AS) from FY 2018-19 and hence Significant Accounting policies have been re-drafted in accordance with requirements of Ind AS: and
- iii) That there are no instances of significant fraud of which we have become aware of during FY 2018-19. However, frauds committed by two borrowers with an outstanding principal amount of ₹ 664.02 crore as on 31.03.2019 has been/being reported to Fraud Monitoring Cell of RBI. To the best of our knowledge, neither management nor employee of PFC having a significant role in PFC's internal control system over financial reporting was involved in the said fraud.

Sd/-  
(N. B. Gupta)  
Director (Finance) / CFO  
DIN - 00530741

Sd/-  
(Rajeev Sharma)  
Chairman & Managing Director / CEO  
DIN - 00973413

## Annexure C of Report on Corporate Governance

### Declaration as required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and DPE's Guidelines on Corporate Governance:

"All the members of the Board and Senior Management Personnel have affirmed compliance of the 'Code of Business Conduct & Ethics for Board Members and Senior Management' for the financial year ended on March 31, 2019."

Sd/-  
**Rajeev Sharma**  
Chairman & Managing Director  
DIN: 00973413

## Annexure D of Report on Corporate Governance

### Dividend Distribution Policy of Power Finance Corporation Limited

#### I Background

Pursuant to Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, which requires top five hundred listed entities based on market capitalization (calculated as on March 31 of every financial year) to formulate a dividend distribution policy which shall be disclosed in their annual reports and on their websites.

Since PFC is amongst the top 500 listed entities as per the criteria as at March 31, 2016, the dividend distribution policy has been formulated.

#### II Policy Framework

The policy has been framed broadly in line with the provisions of the Companies Act and also taking into consideration, guidelines on "Capital Restructuring of Central Public Sector Enterprises" issued by Department of Investment and Public Asset Management (DIPAM), Ministry of Finance, Department of Public Enterprises, SEBI and other guidelines, to the extent applicable.

#### III Factors in consideration

PFC has been consistently paying dividends and is committed to deliver sustainable value to all stakeholders. Dividend is declared at the Annual General Meeting of the shareholders of the Company, based on the recommendations of the Board of Directors. It is at the discretion of the Board to recommend dividend. The Board may also declare interim dividend.

The decision regarding dividend pay-out is a crucial decision as it balances the amount of profit to be distributed among shareholders of the company with the requirement of deployment of internal accruals for its sustenance and growth plans. The factors generally considered before recommending/declaring dividend are as follows:

##### A. Circumstances under which the shareholders of the Company may or may not expect dividend

The factors that may generally be considered by the Board before making any recommendations for the dividend include, but are not limited to, future capital expenditure plans, profits earned during the financial year, cost of raising funds from alternate sources, cash flow position and applicable taxes including tax on dividend, subject to the guidelines as applicable from time to time.

##### B. Financial Parameters that shall be considered while declaring dividend

Being a Central Public Sector Enterprise, the Company endeavors to declare the dividend as per the guidelines on "Capital Restructuring of Central Public Sector Enterprises" issued by DIPAM, Govt. of India on 27.05.2016, mandating every CPSE to pay a minimum annual dividend of 30% of PAT or 5% of the net-worth, whichever is higher subject to the maximum dividend permissible under the extant legal provisions.

Nonetheless, Company is expected to pay the maximum dividend permissible under the Act under which it has been set up, unless lower dividend proposed to be paid is justified on a case to case basis at the level of Ministry of Power after considering the following financial parameters:

- (i) Net-worth and Capacity to borrow;
- (ii) Long-term borrowings;
- (iii) CAPEX/Business Expansion needs;
- (iv) Retention of profit for further leveraging in line with the CAPEX needs; and
- (v) Cash and bank balance.

##### C. Internal and External factors that shall be considered for declaration of dividend

##### C.1 Internal Factors

##### C.1.1 Capital to Risk-weighted Assets Ratio

Being an IFC, PFC is required to maintain a CRAR at a certain level. Accordingly, the expected figure for CRAR is also taken into consideration while declaring dividend so that it does not breach the prescribed figure.

##### C.1.2 Net Worth of the Company

As per the extant guidelines issued by DIPAM, Govt. of India, every CPSE would pay a minimum annual dividend of 30% of PAT or 5% of the net-worth, whichever is higher subject to the maximum dividend permissible under the extant legal provisions. Being a Government Company, PFC is required to comply with these guidelines.



Apart from the above parameters, the Company may also consider various other internal factors, which inter alia include:

- Present & future capital requirements of the existing businesses;
- Additional investments in subsidiaries/associates of the Company;
- Any other factor as deemed fit by the Board.

## **C.2 External Factors**

### **C.2.1 Economic Environment**

In case of uncertain or recessionary economic and business conditions, the Company will endeavor to retain larger part of profits to build up reserves to sustain future updowns.

### **C.2.2 Statutory Provisions and Guidelines**

The Company will adhere to the restraints imposed by Companies Act with regard to declaration of dividend. Further, being a Government Company, the Company shall also consider the guidelines in force in respect of dividend declaration as issued from time to time by the Govt. of India or by any other statutory bodies.

## **D. Utilization of Retained Earnings**

The Company is engaged into financing the power sector. The retained earnings will be deployed in line with the objects of the company as detailed in the Memorandum of Association of the company, thus contributing to the growth of the business and operations of the Company.

## **E. Parameters to be adopted with regard to various classes of shares**

The holders of the equity shares of the Company, as on the record date, are entitled to receive dividends. Since the Company has issued only one class of equity shares with equal voting rights, all the members of the Company are entitled to receive the same amount of dividend per share. The policy shall be suitably revisited at the time of issue of any new class of shares depending upon the nature and guidelines thereof.

## **Other provisions**

In case of any subsequent changes in any Statutory Act, Rules, Regulations etc. which makes any of the provisions in this policy inconsistent with them, then the provisions of the Statutory Act, Rules, Regulations etc. would prevail over the policy.

CMD is authorized to approve any minor modifications/ deviations to the policy and will be the competent authority for any interpretation regarding the policy.

## Certificate on Corporate Governance

### The Members, Power Finance Corporation Limited

We have examined the compliance of conditions of Corporate Governance by **Power Finance Corporation Limited** for the year ended 31<sup>st</sup> March, 2019, as prescribed in Regulations 17 to 27, 46 (2) (b) to (i) and para C and D of Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter called as "SEBI (LODR) Regulations, 2015") and Guidelines on Corporate Governance for Central Public Sector Enterprises issued by Department of Public Enterprises (DPE), Government of India.

The compliance of conditions of Corporate Governance is the responsibility of the management of the Company. Our examination has been limited to review of procedures and implementations thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance as stipulated in the said clause and guidelines. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and based on representations made by the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Regulations 17 to 27, 46 (2) (b) to (i) and para C and D of Schedule V of SEBI (LODR) Regulations, 2015 and DPE Guidelines on Corporate Governance except:

- (i) Regulation 17 (1) of SEBI (LODR) Regulations, 2015 and Para 3.1.2 & 3.1.4 of the DPE Guidelines on Corporate Governance require that not less than fifty percent of the Board of Directors comprising of non-executive directors and in case the Chairman is an Executive Director, at least half of the Board should comprise of Independent Directors. As on March 31, 2019, the Board of Directors of the Company was headed by an Executive Chairman. Accordingly, the number of Independent Directors should have been at least 50% of the Board Members, however, the Board of Company comprises of 7 Directors, which includes 4 whole time Members of the Board, 1 Part Time Government Nominee Director and 2 Non-Official Part Time Independent Directors.
- (ii) Regulation 17 (10) of SEBI (LODR) Regulations, 2015, the performance evaluation of Independent Directors shall be done by the entire Board of Directors.
- (iii) Regulation 19 (1) (b) & (c) of the SEBI (LODR) Regulations, 2015 and Para 5.1 of the DPE Guidelines on Corporate Governance, all members of the Nomination & Remuneration Committee shall be non-executive directors.
- (iv) Regulation 25 (3) & (4) of SEBI (LODR) Regulations, 2015, the independent Directors shall at their Separate Meeting, review the performance of non-independent directors and the Board as a whole; review the performance of the Chairperson of the company, taking into account the views of executive directors and non-executive directors; and assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties. The Independent Directors has met separately once during the period of Audit. At the said meeting, the Independent Directors assessed the quality, quantity and timeliness of flow of information, as required under Regulation 25 (4) (c) of SEBI (LODR) 2015. As regards performance Evaluation, considering that the matter has been taken up with SEBI by Department of Public Enterprises (DPE) based on recommendations of Committee of Company Secretaries of CPSEs constituted by DPE, as also the practice being followed in peer companies, evaluation criteria has not been evolved.
- (v) Regulation 19 (4) read with Schedule II Part D (A) of SEBI (LODR) 2015, the Nomination and Remuneration Committee shall formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board of Directors a policy relating to, the remuneration of the directors, key managerial personnel and other employees and formulate the criteria for evaluation of performance of Independent Directors and the Board of Directors.

We further report that the National Stock Exchange of India Limited and BSE Limited have levied monetary fines for non-compliance with Regulation 17 (i) and 19(1)/19(2) of the Securities and Exchange Board of India (Listing Obligations and Disclosure requirements) Regulations, 2015 against which the Company made representations to Stock Exchanges and SEBI.

We further state that such compliance certificate is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For **Agarwal S. & Associates,**  
Company Secretaries,  
ICSI Unique Code: P2003DE049100

Sd/-  
**CS Sachin Agarwal**  
Partner

Place : New Delhi  
Date : July 30, 2019

FCS No.: 5774  
CP No.: 5910

Annexure H of Board's Report

## Business Responsibility Report

### Section A: General Information about the Company

Corporate Identity Number (CIN) of the Company	L65910DL1986GOI024862
Name of the Company	Power Finance Corporation Limited
Registered address	'Urjanidhi', 1, Barakhamba Lane, Connaught Place, New Delhi-110001
Website	<a href="http://www.pfcindia.com">www.pfcindia.com</a>
E-mail id	<a href="mailto:mb@pfcindia.com">mb@pfcindia.com</a>
Financial Year reported	2018-19
Sector(s) that the Company is engaged in (industrial activity code-wise)	64920 (Other Financial Services and Activities - Other Credit Granting)
List three key services that the Company provides	(i) Rupee Term Loan (RTL) (ii) Short Term Loan (STL) (iii) Buyer's Line of credit (BLC)
Total number of locations where business activity is undertaken by the Company	
i. Number of International Locations	None
ii. Number of National Locations	3
Markets served by the Company - Local/State/National/International	National

### Section B: Financial Details of the Company (as on March 31, 2019)

Paid up Capital (INR)	₹ 2,640.08 crore
Total Turnover (INR) (Revenue from Operations)	₹ 28,842.00 crore
Total profit after taxes (INR)	₹ 6,952.92 crore
Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	1.45% (₹ 100.50 crore) of Profit After Tax (PAT) during FY 2018-19
List of CSR activities in which expenditure has been incurred	Annexure I

### Section C: Other Details

Does the Company have any Subsidiary Company/ Companies?	Yes
Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company?	No
Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with; participate in the BR initiatives of the Company?	No

## Section D: BR Information

### 1. Details of Director responsible for BR

#### a) Details of the Director responsible for implementation of the BR policies

Particulars	Details
DIN Number	03548218
Name	P K Singh
Designation	Director (Commercial)

#### b) Details of the BR head

Particulars	Details
DIN Number (if applicable)	NA
Name	Shri Manohar Balwani
Designation	Company Secretary
Telephone number	011- 23456749
E-mail id	<a href="mailto:mb@pfcindia.com">mb@pfcindia.com</a>

### 2. Principle-wise (as per NVGs) BR policies

The National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs) released by the Ministry of Corporate Affairs has adopted nine areas of Business Responsibility. These briefly are as under:

- P1 - Businesses should conduct and govern themselves with Ethics, Transparency and Accountability.
- P2 - Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.
- P3 - Businesses should promote the well-being of all employees.
- P4 - Businesses should respect the interests of and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.
- P5 - Businesses should respect and promote human rights.
- P6 - Businesses should respect, protect and make efforts to restore the environment.
- P7 - Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.
- P8 - Businesses should promote inclusive growth and equitable development.
- P9 - Businesses should engage with and provide value to their customers and consumers in a responsible manner.

S. No.	Questions	Business Ethics	Product Responsibility	Wellbeing of Employees	Stakeholder Engagement	Human Rights	Environment	Public Policy	CSR	Customer Relations
		P1	P2	P3	P4	P5	P6	P7	P8	P9
1.	Do you have a policy/ policies for....	Y	PFC being an NBFC, this principle has limited applicability	Y	Y	The policy is embedded in company's HR policies and practices	The policy is embedded in company's various policies and practices	The policy is embedded in company's various policies and practices	Y	Y
2.	Has the policy being formulated in consultation with the relevant stakeholders?	Y	-	Y	Y	-	-	-	Y	Y
3.	Does the policy conform to any national /international standards?	Y	-	Y	Y	-	-	-	Y	Y
4.	Has the policy being approved by the Board? If yes, has it been signed by MD/ owner/ CEO/ appropriate Board Director?	Y	-	Y	Y	-	-	-	Y	Y
5.	Does the company have a specified committee of the Board/ Director/Official to oversee the implementation of the policy?	Y	-	Y	Y	-	-	-	Y	Y
6.	Indicate the link for the policy to be viewed online?	#	-	Policy being an internal document is accessible to employees only	#	-	-	-	#	#
7.	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	-	Y	Y	-	-	-	Y	Y
8.	Does the company have in-house structure to implement the policy/policies?	Y	-	Y	Y	-	-	-	Y	Y
9.	Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/policies?	Y	-	Y	Y	-	-	-	Y	Y
10.	Has the company carried out independent audit/evaluation of the working of this policy by an internal or external agency?	Y	-	Y	Y	-	-	-	Y	Y

\*The relevant explanation/ information/ links are mentioned at Annexure II to this Report.

## CORPORATE OVERVIEW

## DIRECTORS' REPORT

## FINANCIAL STATEMENTS



(b). If answer to S.No. 1 against any principle, is 'No', please explain why:

S. No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1.	The company has not understood the Principles	NOT APPLICABLE								
2.	The company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles									
3.	The company does not have financial or manpower resources available for the task									
4.	It is planned to be done within next 6 months									
5.	It is planned to be done within the next 1 year									
6.	Any other reason									

### 3. Governance related to BR

- **Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company.**

The BR activities of the Company are overseen by a Functional Director and the Board also reviews the Business Responsibility Report as part of Directors' Report on annual Basis.

- **Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?**

The Business Responsibility Report is published as a part of Annual Report from FY 2012-13 onwards. The current Report shall form a part of Annual Report for FY 2018-19 and shall be available on company's website: [www.pfcindia.com](http://www.pfcindia.com).

### Section E: Principle-wise performance

#### Principle 1

1. **Does the policy relating to ethics, bribery and corruption cover only the Company? Does it extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others?**

Power Finance Corporation Ltd. (PFC) is a leading power sector public financial institution and a non-banking financial company, providing fund and non-fund based support for the development of the Indian power sector. It plays a major role in channelizing investment into the power sector and acts as a vehicle for development of this sector. Its clients include state power utilities, central power sector utilities, power departments, private power sector utilities (including independent power producers), joint sector power utilities etc. PFC has developed the Fair Practices Code (FPC) for its lending operations based on the RBI guidelines, which intends to provide assurance to all the borrowers of the Company's commitment to fair dealing and transparency in its businesses transactions.

PFC also considers Corporate Governance as an integral part of good management and is committed to act professionally, fairly and with integrity in all its dealings. In this direction, Company has an established Code of Business Conduct & Ethics for Board Members & Senior Management.

The Code of Business Conduct and Ethics for the Board Members and Senior Management is a comprehensive code applicable to all Directors and Members of Senior Management of the Company. It is in alignment with Company's vision and values to achieve the Mission & Objectives and aims at enhancing ethical and transparent process in managing the affairs of the Company.

The Company has also adopted an Anti-Fraud policy so as to provide a system of detection and prevention of fraud in the Company. It aims to promote consistent legal and ethical organizational behavior by assigning responsibility for the development of controls and providing guidelines for reporting of fraud/suspected fraud and conduct of investigation of suspected fraudulent behavior. The scope of policy extends to reporting and investigating the fraud or suspected fraud in the Company involving employees (including contractual employees) as well as shareholders, consultants, vendors, suppliers, service providers, contractors, lenders, borrowers, outside agencies and/or any other parties having business relationship with the Company.

The above said policies also cover our subsidiaries.



**2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management?**

Under the Anti-Fraud Policy, the Company had not received any complaint during the FY 2018-19.

The company had received a total of 3,906 complaints from the shareholders and bondholders of the Company during the FY 2018-19 in addition to 6 complaints pending at the beginning of the year. Out of which 3912 (100%) were resolved by March 31, 2019.

Under PFC's Citizen Charter, total 96 complaints were received from customers/consumers during the FY 2018-19 in addition to 2 complaints pending at the beginning of the year. Out of which 89 (91%) were resolved by March 31, 2019 leaving 9 complaints pending.

**Principle 2**

**1. List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.**

PFC has financial products like term loan, buyer's line of credit, lease financing etc. including financing of renewable energy projects which are sustainable and environmentally benign. While sanctioning loans, PFC stipulates conditions including inter alia environmental clearances.

**2. For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product:**

Since PFC is not a Manufacturing Company and offers financial assistance to Power Sector projects only, following questions mentioned below are generally applicable to manufacturing sector:

**i. Reduction during sourcing/production/distribution achieved since the previous year throughout the value chain?**

Not Applicable.

**ii. Reduction during usage by consumers (energy, water) has been achieved since the previous year?**

Not Applicable.

**3. Does the company have procedures in place for sustainable sourcing (including transportation)?**

Not Applicable.

**4. Has the company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work? If yes, what steps have been taken to improve their capacity and capability of local and small vendors?**

PFC, being a Financial Institution, is relatively less resource intensive in terms of material inputs. We are also following the Government of India's directives, issued from time to time, in respect of reservation for Micro, Small & Medium Enterprises in procurements.

**5. Does the company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so?**

The Company, being a Financial Institution, has limited applicability of mechanism to recycle products and waste. However, the Company has installed an Organic Composting machine in the office premises for recycling organic waste generated on routine basis in the office building kitchen/pantry etc.

**Principle 3**

**1. Please indicate the total number of employees.**

As on March 31, 2019 there were 498 employees in PFC.

**2. Please indicate the total number of employees hired on temporary/contractual/casual basis.**

During the FY 2018-19, PFC hired nil employees on temporary/contractual/casual basis.

**3. Please indicate the number of permanent women employees.**

As on March 31, 2019, there were 103 permanent women employees on the rolls of the company.

**4. Please indicate the number of permanent employees with disabilities.**

As on March 31, 2019, there were 14 differently abled employees on the rolls of the company.

**5. Do you have an employee association that is recognized by management?**

PFC has PFC Employees Union, PFC SC/ST/OBC Welfare Association and PFC Executive Association.

**6. What percentage of your permanent employees is members of this recognized employee association?**

100% of the permanent employees are members of these recognized employee associations.

**7. Please indicate the number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.**

S. No.	Category	No of complaints filed during the financial year 2018-19	No of complaints pending as on March 31, 2019
1	Child labour /forced labour/involuntary labour	Nil	
2	Sexual harassment		
3	Discriminatory employment		

**8. What percentage of your under mentioned employees were given safety & skill up-gradation training in the last year?**

o Permanent Employees	75%
o Permanent Women Employees	80%
o Casual/Temporary/Contractual Employees	Nil
o Employees with Disabilities	78%

**Principle 4**

**1. Has the company mapped its internal and external stakeholders?**

Yes

**2. Out of the above, has the company identified the disadvantaged, vulnerable & marginalized stakeholders?**

All reserved category employees (SC/ST/OBC/PwBD & Minorities) are identified as disadvantaged, vulnerable & marginalized stakeholders.

**3. Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalized stakeholders?**

All Government of India directives are followed for engagement at various levels of career progression for these people (all reserved category employees - SC/ST/OBC/PwBD & Minorities). Various infrastructure arrangements were made for benefits of PwBD persons. Meritorious awards are being given to children of these categories along with other children by giving special relaxation in percentage of marks. Separate Liaison Officers are in place to look after the welfare of the employees in the ambit of this category. It is ensured that a person of reserved category of appropriate level is nominated as member in various selection and promotion committees to look into the interest of the employees of reserved categories.

**Principle 5**

**1. Does the policy of the company on human rights cover only the company or extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others?**

PFC does not have any specific policy on human rights. However, it is embedded in company's various HR policies and practices.

**2. How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?**

The details of stakeholder complaints during FY 2018-19 are given herein below:

Particulars	No. of Complaints			
	Equity Shareholders	Bondholders	Under Anti-Fraud Policy	Under Citizen Charter
Pending at the beginning	1	5	0	2
Received during the year	886	3020	0	96
Disposed off during the year	887	3025	0	89
Lying unresolved at the end of the year	0	0	0	9
% of Complaints resolved	100%	100%	0	91%

## Principle 6

1. **Does the policy related to Principle 6 cover only the company or extends to the Group/Joint Ventures/Suppliers/Contractors/NGOs/others?**

The policy is embedded in company's various policies and practices and covers the Company as a whole.

2. **Does the company have strategies/initiatives to address global environmental issues such as climate change, global warming, etc.? Y/N. If yes, please give hyperlink for webpage etc.**

PFC is a socially conscious organization and fully endorses the nine principles of Global Compact enunciated by the United Nations Organization (UNO) which encompass areas of human rights, environmental protection and labour rights. These principles of Global Compact are embedded in various organizational policies of the Company thereby facilitating their implementation in a natural way.

PFC consistently strives towards meeting the expectations of the society through proper planning and decision making that will help in achieving a real and lasting reduction of social and economic disparities as well as protecting the environment. PFC continues to support activities that aim at improving the quality of life of both present and future generations and at the same time safeguarding the capacity of the earth to support life in all its diversity.

3. **Does the company identify and assess potential environmental risks?**

Since PFC is not a Manufacturing Company and offers financial products only, the question is not applicable to the Company.

4. **Does the company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if yes, whether any environmental compliance report is filed?**

The above question is not applicable to PFC as it is not a manufacturing company. However, your Company funds renewable energy projects and energy saving projects at special rates of interest in State and Private Sectors.

5. **Has the company undertaken any other initiatives on - clean technology, energy efficiency, renewable energy, etc. Y/N? If yes, please give hyperlink for web page etc.**

Yes. The Company has undertaken various Clean Technology/Renewable energy/Energy Efficiency etc. initiatives in FY 2018-19 including disbursement of ₹ 19.15 crore under 'Solar Application'. The details are mentioned at Annexure I of this Report.

6. **Are the Emissions/Waste generated by the company within the permissible limits given by CPCB/SPCB for the financial year being reported?**

Not Applicable.

7. **Number of show cause/ legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on March 31, 2019.**

Not Applicable.

## Principle 7

1. **Is your company a member of any trade and chamber or association? If yes, name only those major ones that your business deals with.**

Yes, PFC is a member of the following associations:-

1. SCOPE
2. Central Board of Irrigation and Power
3. Confederation of Indian Industry (CII)
4. World Energy Council

2. **Have you advocated/lobbied through above associations for the advancement or improvement of public good?**

PFC supports the initiatives taken by above associations in their endeavors for the advancement or improvement of public good.

## Principle 8

1. **Does the company have specified programmes/initiatives/projects in pursuit of the policy related to Principle 8? If yes details thereof.**

PFC has a CSR and Sustainability policy in place. The aim of the policy is to ensure that the Company becomes a socially responsible corporate entity committed to improving the quality of life of the society at large.

The objective of the PFC CSR Policy is to:

- Ensure an increased level of commitment at all levels in the Organization, to operate its business in an economically, socially & environmentally sustainable manner, while recognizing the interests of its stakeholders.
- Generate a societal goodwill for PFC through CSR activities and help reinforce a positive and socially responsible image of PFC as a corporate.

As a socially responsible corporate entity, PFC endeavors to:

- Promote and Leverage green technologies to produce goods and services that contribute to social and environmental sustainability.
- Take up projects that provide energy, water and sanitation facilities to the communities.
- Take up activities to support "Differently abled persons" and the "Health sector".
- Take up issues which are of foremost concern in the national development agenda, like save drinking water for all, provision of toilets especially for girls, health and sanitation, education, etc.
- Contribute to inclusive growth and equitable development in society through education, capacity building measures, empowerment of the marginalized and underprivileged sections/communities.

**2. Are the programmes/projects undertaken through in-house team/own foundation/external NGO/government structures/any other organization?**

All the projects undertaken under CSR & SD policy were executed by Govt./Semi Govt./Quasi-Govt. implementing agencies and other reputed organisations.

**3. Have you done any impact assessment of your initiative?**

The company shall mandatorily conduct Impact Assessment for projects/programmes sanctioned above ₹ 5 crore. For rest of the projects/programmes, the assessment is to be done on a case to case basis.

**The Impact Assessment Study being conducted (sanction-wise) in FY 2018-19 is as tabulated:**

S.No.	Particulars	Area
1	Impact Assessment study through Indian Institute of Public Administration (IIPA) on 'Employment oriented training and skill development programme for SC/ST/OBC/Women & EWS of society for 2000 persons	All over India
2	Impact assessment study through Administrative Staff College of India (ASCI), Hyderabad on 'Impact on Fitment Cochlear Implants to 100 nos. Hearing Impaired children	All over India

**4. What is your company's direct contribution to community development projects-Amount in INR and the details of the projects undertaken?**

During the year 2018-19, PFC undertook various Community Development projects in the field of sanitation, skill development and education, solar application, environment and health sector. PFC's contribution in terms of amount sanctioned and disbursed are as given below:

Nature of Activities	Sanctioned (₹ in crore)	Disbursement (₹ in crore)
Sanitation/ Waste Management/ Drinking Water	12.89	9.76
Skill Development and Education	31.76	18.23
Solar Application	20.58	19.15
Environment/Tree Plantation	0.00	1.00
Health Sector	2.34	2.34
Others (Impact Studies, Admin. Overheads, Saubhagya, Arrah and Sitamarhi district village Dev. programmes etc.)	71.39	67.71
<b>Total</b>	<b>138.96</b>	<b>118.19</b>



Spread across various CSR initiatives (inclusive of Community Development projects), PFC disbursed ₹ 118.19 crore (including Administrative overheads) during the FY 2018-19.

**5. Have you taken steps to ensure that this community development initiative is successfully adopted by the community?**

The projects sanctioned by PFC are implemented by Govt./Semi Govt./Quasi-Govt. Implementing agencies and other reputed organisations. During Skill development training programmes, placement of around 70% is ensured. In projects such as environment sustainability, renewable energy etc. assets are created, transferred to beneficiaries and also monitored by PFC by various activities such as site visits, tour reports etc.

**Principle 9**

**1. What percentage of customer complaints/consumer cases apart from shareholders and bondholders are pending as at the end of financial year?**

Under PFC's Citizen Charter, total 96 complaints were received from customers/consumers during the FY 2018-19 in addition to 2 complaints pending at the beginning of the year. Out of which 89 (91%) were resolved by March 31, 2019 leaving 9 complaints pending.

**2. Does the company display product information on the product label, over and above what is mandated as per local laws?**

Not Applicable.

**3. Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on March 31, 2019.**

Not Applicable.

**4. Did your company carry out any consumer survey/consumer satisfaction trends?**

In PFC, customer complaints are obtained through structured meetings held periodically with Power Utilities, periodic visits undertaken by PFC executives to the customers' offices/project sites, through regular written/telephonic correspondence during the appraisal, loan documentation and disbursement stages of various projects/loans, customers visiting PFC office etc.

Based on the responses, the complaints are recorded and a Corrective and Preventive Action Record (CAPR) is initiated for each complaint. The concerned customer is intimated about the corrective action being taken to resolve the complaint and prevent its further occurrence.



## Annexure I to Business Responsibility Report

### List of activities in which expenditure has been incurred:

S. No	Name of Projects (Details of ₹ 100.50 Crore)
1	Water Distribution Pipeline in selected wards of Chanderi town, Ashok Nagar district, Madhya Pradesh state
2	Providing the services of Automatized Sweeping Collection & Transportation of Municipal Solid Waste (MSW) in Fourteen wards of Varanasi Municipal Area.
3	Contribution to Swachh Kumbh Kosh, Kumbh Mela 2019
4	Supply and Installation of 500 Nos. India Mark II Hand Pumps for Drinking Water purposes in Rural Areas of Machhalishahar Region, Jaunpur, Uttar Pradesh
5	Construction of 580 Hand Washing Units in Govt. schools of Sitamarhi, Bihar
6	Multi Therapy Unit under Integrated Muscular Dystrophy Rehabilitation Centre (IMDRC) at Solan
7	Project for Provisioning of Hi-End Prosthetic & Orthotic Artificial Limbs to Persons with Disabilities (PwDs) in Mumbai and its suburb areas i.e Thane, Kalyan, Raigad, Uraan.
8	Fitment of cochlear Implants to 100 nos. Hearing Impaired Children
9	Employment Oriented Training and Skill Development programme for SC/ST/OBC/Women & EWS of society for 2000 persons
10	Skill Development programme for persons belonging to SC/ST/OBC/Women/PWD & EWS of society for 3000 persons FY 2016-17 phase-I
11	Skill Development programme for persons belonging to SC/ST/OBC/Women/PWD & EWS of society for 3000 persons FY 2017-18 phase -II
12	Skill Development programme for SC/ST/OBC/Women/PWD & EWS of society for 900 persons
13	Employment oriented Skill Development Programme for SC/ST/OBC/Women & EWS for 1200 persons
14	Up-gradation of selected Primary Schools in Lucknow
15	Skill Development Training Programme for SC/ST/OBC/PWD/Women & EWS of society for 2500 candidates-phase-II
16	Supply, installation and commissioning of Mini/Micro Off Grid Solar PV Power Plant in three villages - Phoj Kudana, Bhoj Plasra & Patiye ki Bhood under Ambala circle in Haryana state
17	Extending Clean Energy Solutions to 25000 nos. of households across backward districts of Bihar
18	Supply, installation and commissioning of 500 nos. of LED based Solar Street Lighting System (SLS) in Akbarpur, Kanpur Dehat, Uttar Pradesh
19	Project of LED based Solar Home Lighting Systems (SHS) in 8589 nos. households in districts of Arunachal Pradesh
20	Implementation of 500 nos. of Solar based LED Street Lighting Systems in Bhadohi, Uttar Pradesh, Phase-I
21	Implementation of 500 nos. of Solar based LED Street Lighting Systems in Phoolpur, Uttar Pradesh
22	Implementation of 500 nos. of Solar based LED Street Lighting System in Pilibhit, Uttar Pradesh
23	Implementation of 500 nos. of Solar based LED Street Lighting System in Basti, Uttar Pradesh





24	Solar Community Irrigation Schemes for 1000 Hectares area in Chhattisgarh
25	Implementation of 500 nos. of solar based LED Street Lighting System in Shravasti, Uttar Pradesh phase-I
26	Implementation of 500 nos. of Solar based LED Street Lighting System (SLS) in Bhadohi (Sant Ravidas Nagar) Uttar Pradesh phase-II.
27	Implementation of Solar based LED Street Lighting System (SLS) and Solar High Mast Lights (SHMLS) in Deoria region of Uttar Pradesh
28	Implementation of Solar based LED Street Lighting System (SLS) and Solar High Mast Lights (SHMLS) in Agra (North), Agra (South) and Firozabad regions of Uttar Pradesh
29	Supply, installation and commissioning of 500 nos. of LED based Solar Street Lighting System (SLS) in various villages in Pali, Rajasthan
30	Supply, Installation and Commissioning of 450 nos. of LED based Solar Street Lighting System (SLS) in various villages in Bijnor, Uttar Pradesh
31	Implementation of 500 nos. of Solar based LED Street Lighting System (SLS) in Giridih-phase-II
32	Implementation of 725 nos. of Solar based LED Street Lighting System (SLS) in Sitamarhi, Bihar
33	Development of Park (Pocket 7A) at Deen Dayal Upadhyay Marg, Delhi
34	Implementation of 500 nos. of Solar based LED Street Lighting System (SLS) in Bikaner, Rajasthan
35	Implementation of 500 nos. of Solar based LED Street Lighting System (SLS) in Shravasti, Uttar Pradesh, Phase-II
36	Implementation of 500 nos. of Solar based LED Street Lighting System (SLS) in Agra , Uttar Pradesh
37	Implementation of 500 nos. of Solar based LED Street Lighting System (SLS) in Lalganj, Uttar Pradesh
38	Implementation of 500 nos. of Solar based LED Street Lighting System (SLS) in Baghpat, Uttar Pradesh
39	Implementation of 500 nos. of Solar based LED Street Lighting System (SLS) in Mahbubnagar and Ranga Reddy Districts, Telangana
40	Pradhan Mantri Sahaj Bijli Har Ghar Yojana (SAUBHAGYA) at the cost of ₹ 41.40 crore (approx.) in the state of Jharkhand
41	Relief & Rehabilitation activities in the flood affected areas of Uttarakhand for re-building of infrastructure destroyed during calamity
42	Project of Development works in the 3 blocks (Piro, Bihiya, Jagdishpur) of Arrah District, Bihar-Bhojpur Village Development Programme
43	Impact Assessment/Training/Travelling/Pay & Allowances etc.

## Annexure II to Business Responsibility Report

The links of relevant policies approved by the Board of Directors of the Company are given below:-

Name of the Policy	Web links	
	English	Hindi
CSR and Sustainability Policy	<a href="http://www.pfcindia.com/DocumentRepository/ckfinder/files/CSR/CSR_Policy_26082016.pdf">http://www.pfcindia.com/DocumentRepository/ckfinder/files/CSR/CSR_Policy_26082016.pdf</a>	<a href="http://pfcindia.com/hnsite/DocumentRepository/ckfinder/files/CSR/PFC_CSR_POLICY_HND_20092016.pdf">http://pfcindia.com/hnsite/DocumentRepository/ckfinder/files/CSR/PFC_CSR_POLICY_HND_20092016.pdf</a>
Fair Practice Code	<a href="http://www.pfcindia.com/Home/VS/62">http://www.pfcindia.com/Home/VS/62</a>	<a href="http://pfcindia.com/hnsite/Home/VS/62">http://pfcindia.com/hnsite/Home/VS/62</a>
Code of Business Conduct and Ethics	<a href="http://www.pfcindia.com/Home/VS/63">http://www.pfcindia.com/Home/VS/63</a>	<a href="http://pfcindia.com/hnsite/Home/VS/63">http://pfcindia.com/hnsite/Home/VS/63</a>
Anti-Fraud Policy	<a href="http://www.pfcindia.com/Home/VS/65">http://www.pfcindia.com/Home/VS/65</a>	<a href="http://pfcindia.com/hnsite/Home/VS/65">http://pfcindia.com/hnsite/Home/VS/65</a>
Whistle Blower Policy	<a href="http://www.pfcindia.com/Default/ViewFile/?id=1490188785276_WBP.pdf&amp;path=Page">http://www.pfcindia.com/Default/ViewFile/?id=1490188785276_WBP.pdf&amp;path=Page</a>	<a href="http://pfcindia.com/hnsite/Default/ViewFile/?id=1490268719103_wbpHND.pdf&amp;path=Page">http://pfcindia.com/hnsite/Default/ViewFile/?id=1490268719103_wbpHND.pdf&amp;path=Page</a>
Policy on Related Party Transactions	<a href="http://www.pfcindia.com/Default/ViewFile/?id=1490186033556_Policy on Related Party Transactions.pdf&amp;path=Page">http://www.pfcindia.com/Default/ViewFile/?id=1490186033556_Policy on Related Party Transactions.pdf&amp;path=Page</a>	<a href="http://pfcindia.com/hnsite/Default/ViewFile/?id=1490267088709_PFC_Policy_Hindi.pdf&amp;path=Page">http://pfcindia.com/hnsite/Default/ViewFile/?id=1490267088709_PFC_Policy_Hindi.pdf&amp;path=Page</a>
Policy on Material Subsidiary	<a href="http://www.pfcindia.com/Default/ViewFile/?id=1546008961743_Policyon.pdf&amp;path=Page">http://www.pfcindia.com/Default/ViewFile/?id=1546008961743_Policyon.pdf&amp;path=Page</a>	<a href="http://pfcindia.com/hnsite/Default/ViewFile/?id=1490266955530_material_subsideiry_HND.pdf&amp;path=Page">http://pfcindia.com/hnsite/Default/ViewFile/?id=1490266955530_material_subsideiry_HND.pdf&amp;path=Page</a>
Dividend Distribution Policy	<a href="http://www.pfcindia.com/Default/ViewFile/?id=1500569967022_Dividend Distribution Policy of Power Finance Corporation Limited-Final Version.pdf&amp;path=Page">http://www.pfcindia.com/Default/ViewFile/?id=1500569967022_Dividend Distribution Policy of Power Finance Corporation Limited-Final Version.pdf&amp;path=Page</a>	<a href="http://pfcindia.com/hnsite/Default/ViewFile/?id=1500987575423_Dividend_Distribution_Policy_of_pfc_hindi.pdf&amp;path=Page">http://pfcindia.com/hnsite/Default/ViewFile/?id=1500987575423_Dividend_Distribution_Policy_of_pfc_hindi.pdf&amp;path=Page</a>
Code of Practices & Procedures for Fair Disclosure of Unpublished Price Sensitive Information and Conduct for regulating, monitoring & reporting of trading in the securities of Power Finance Corporation Limited	<a href="http://www.pfcindia.com/Default/ViewFile/?id=1471519901217_PFCs_Code_of_Conduct_for_regulating_reporting_trading_by_insiders_and_for_fair_disclosure_2015.pdf&amp;path=Page">http://www.pfcindia.com/Default/ViewFile/?id=1471519901217_PFCs_Code_of_Conduct_for_regulating_reporting_trading_by_insiders_and_for_fair_disclosure_2015.pdf&amp;path=Page</a>	<a href="http://pfcindia.com/hnsite/Default/ViewFile/?id=1490270610504_CODE_OF_CONDUCT_FOR_INSIDER_TRADING_HND.pdf&amp;path=Page">http://pfcindia.com/hnsite/Default/ViewFile/?id=1490270610504_CODE_OF_CONDUCT_FOR_INSIDER_TRADING_HND.pdf&amp;path=Page</a>
Policy for Determination of Materiality of Events	<a href="http://www.pfcindia.com/Default/ViewFile/?id=1472556452570_Circular%20Policy%20for%20Determination%20of%20Materiality%20of%20Events.pdf&amp;path=Page&amp;Name=Policy for Determination of Materiality of Events">http://www.pfcindia.com/Default/ViewFile/?id=1472556452570_Circular%20Policy%20for%20Determination%20of%20Materiality%20of%20Events.pdf&amp;path=Page&amp;Name=Policy for Determination of Materiality of Events</a>	<a href="http://pfcindia.com/hnsite/DocumentRepository/ckfinder/files/Statutory_investor/DoMEvents_hindi.pdf">http://pfcindia.com/hnsite/DocumentRepository/ckfinder/files/Statutory_investor/DoMEvents_hindi.pdf</a>

The other policies are internal documents and accessible only to employees of the organisation.

Form MR - 3  
**SECRETARIAL AUDIT REPORT**  
For the financial year ended 31<sup>st</sup> March, 2019

(Pursuant to Section 204(1) of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and Regulation 24A of the Securities and Exchange Board of India (Listing Obligations & Disclosure requirements) Regulations, 2015)

To,

**The Members,**

**Power Finance Corporation Limited.**

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Power Finance Corporation Limited** (hereinafter called PFC/the Company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on our test basis verification of the PFC's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial period ended on 31<sup>st</sup> March, 2019 complied with the statutory provisions listed hereunder and also that the Company has proper Board- processes and Compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by PFC for the financial year ended on 31<sup>st</sup> March, 2019 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulation, 2011;
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.
  - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999; **Not applicable for the year under review**
  - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
  - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
  - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations 2009; and **Not applicable for the year under review**
  - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; **Not applicable for the year under review**
- (vi) The Reserve Bank of India Act, 1934 and Regulations framed thereunder for Non-Banking Financial Companies.
- (vii) Prevention of Money Laundering Act, 2002.

We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by the Institute of Company Secretaries of India.
- (ii) The Securities and Exchange Board of India (Listing Obligations & Disclosure requirements) Regulations, 2015.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above, subject to the following observations:

(i) **Observation 1:**

In terms of Regulation 17 (1) of Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015:

1. The Board of Directors of the Company shall have an optimum combination of executive and non- executive directors with at least one-woman director and **not less than fifty percent of the Board of Directors comprising of non-executive directors.**
2. Where the Chairman of the Board is a non-executive director, at least one-third of the Board should comprise of independent directors and in case the company does not have a regular non- executive Chairman, **at least half of the Board should comprise of independent directors.**

Further as per Section 149(4) of the Companies Act, 2013, every listed public company shall have **at least one-third of the total number of directors as independent directors** and the Central Government may prescribe the minimum number of independent directors in case of any class or classes of public companies.

Furthermore, in terms of Para 3.1.2 of the Guidelines on Corporate Governance for Central Public Sector Enterprises, **the number of Functional Directors (including CMD/MD) should not exceed 50% of the actual strength of the Board.**

Also, in terms of Para 3.1.4 of the Guidelines on Corporate Governance for Central Public Sector Enterprises, in case of a CPSE listed on the Stock Exchanges and whose Board of Directors is headed by an Executive Chairman, **the number of Independent Directors shall be at least 50% of Board Members.**

Consequential non-compliances arising due to Non-appointment of Independent Directors on the Board of the Company:

- Compliance of the provisions of Section 178(1) of the Companies Act, 2013; Para 5.1 of DPE. Guidelines on Corporate Governance and Regulation 19 (1) & (2) of the Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015 w.r.t. to the composition of the Nomination and Remuneration Committee.

**Remark:** The Board of Directors of the Company is headed by an Executive Chairman, accordingly, the number of Independent Directors should have been at least 50% of the Board Members, however as on 31.03.2019, the Board of Company comprised of 7 Directors, which includes 4 whole time Members of the Board, 1 Part Time Government Nominee Director and 2 Non-Official Part Time Independent Directors. Accordingly, the composition of the Board and the Nomination & Remuneration Committee is not in compliance with the provisions of Companies Act, 2013, DPE Guidelines on Corporate Governance and Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015. The Company is in constant communication with the Ministry for the appointment of requisite number of Independent directors on the Board of the Company.

(ii) **Observation 2:**

In terms of Regulation 25 (3) & (4) of Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015, the independent directors of the listed entity shall hold at least one meeting in a year, without the presence of non-independent directors and members of management to:

- (a) review the performance of non-independent directors and the Board of Directors as a whole.
- (b) review the performance of the Chairperson of the listed entity, taking into account the views of executive directors and non-executive directors.
- (c) assess the quality, quantity and timeliness of flow of information between the management of the listed entity and the Board of Directors that is necessary for the Board of Directors to effectively and reasonably perform their duties.

Further, in terms of Regulation 17(10) of Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015, the performance evaluation of independent directors shall be done by the entire Board of Directors.

**Remark:** The Independent Directors has met separately once during the period of Audit. At the said meeting, the Independent Directors assessed the quality, quantity and timeliness of flow of information, as required under Regulation 25 (4) (c) of SEBI (LODR) 2015. As regards performance Evaluation, considering that the matter has been taken up with SEBI by Department of Public Enterprises (DPE) based on recommendations of Committee of Company Secretaries of

CPSEs constituted by DPE, as also the practice being followed in peer companies, evaluation criteria has not been evolved. However, the Independent Directors in their separate meeting held on 27.03.2019 desired that the evaluation criteria be evolved afresh.

**(iii) Observation 3:**

In terms of Regulation 19 (4) read with Schedule II Part D (A) of SEBI (LODR) 2015, the Nomination and Remuneration Committee shall:

- (a) formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board of Directors a policy relating to, the remuneration of the directors, key managerial personnel and other employees;
- (b) formulate the criteria for evaluation of performance of Independent Directors and the Board of Directors;
- (c) devise a policy on diversity of Board of Directors.

**Remark:** The Nomination and Remuneration Committee has devised a policy on diversity of Board of Directors, as required under Regulation 19 (4) (c) read with Schedule II Part D (A) of SEBI (LODR) 2015. In respect of Regulation 19(4)(a), Regulation 19(4)(b) read with Schedule II Part D (A) of SEBI (LODR) 2015, the Company has informed that in terms of Clause 86 of Articles of Association of the Company, the members of the Board are appointed by the President of India and the terms and conditions of such appointment including remuneration and evaluation vests with the Government of India.

**We further report that** the Board of Directors of the Company has to be constituted in terms of the provisions of the Companies Act, 2013, DPE Guidelines and Regulation 17(1) of the Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015. The number of independent directors on the Board is less than 50% of the original strength of the Board. At present, there are two Independent Directors on the Board of the Company. The Company is not compliant with provisions of appointment of requisite number of Independent Directors.

Generally, adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful, participation at the meeting.

All the decisions made in the Board/Committee meeting(s) were carried out with unanimous consent of the all the Directors/Members present during the meeting.

**We further report that** there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

**We further report that** during the audit period, the Company has acquired 103,93,99,343 number of equity shares of REC Limited (representing 52.63% of the share capital of REC Limited) from President of India acting through Ministry of Power on 28<sup>th</sup> March, 2019 with requisite compliances.

**We further report that** the National Stock Exchange of India Limited and BSE Limited have levied monetary fines for non-compliance with Regulation 17 (1) and 19(1)/19(2) of the Securities and Exchange Board of India (Listing Obligations and Disclosure requirements) Regulations, 2015 against which the Company made representations to Stock Exchanges and SEBI.

For **Agarwal S. & Associates,**  
Company Secretaries,  
ICSI Unique Code: P2003DE049100

Sd/-  
CS Sachin Agarwal  
Partner

Place : New Delhi  
Date : June 10, 2019

FCS No.: 5774  
CP No.: 5910

This report is to be read with our letter of even date which is annexed as "Annexure A" and forms an integral part of this report.



**"Annexure A"**

To,

The Members,

**Power Finance Corporation Limited**

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial records is the responsibility of the management of the Company. Our Responsibility is to express an opinion on these secretarial records, based on our inspection of records produced before us for Audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company and our report is not covering observations/ comments/weaknesses already pointed out by the other Auditors.
4. Wherever required, we have obtained the Management representation about the compliance of laws, rules and regulation and happening of events etc.
5. The Compliance of the provisions of corporate and other applicable laws, rules, regulations, standards are the responsibility of management. Our examination was limited to the verification of procedures on test basis and to give our opinion whether Company has proper Board-processes and Compliance-mechanism in place or not.
6. The Secretarial Audit Report is neither an assurance as, to future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For **Agarwal S. & Associates,**  
Company Secretaries,  
ICSI Unique Code: P2003DE049100

Sd/-

CS Sachin Agarwal  
Partner

Place: New Delhi  
Date: June 10, 2019

FCS No.: 5774  
CP No.: 5910



**Observations of the Secretarial Auditors alongwith explanations to the same required to be included in the Directors Report to the shareholders for the FY 2018-19**

Sl. No.	Observation	Explanation
1.	<p>In terms of Regulation 17(1) of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015:-</p> <ol style="list-style-type: none"> <li>1. The Board of Directors of Company shall have an optimum combination of executive and non-executive directors with at least one woman director and <b>not less than fifty percent of the Board of Directors comprising of non-executive directors.</b></li> <li>2. Where the Chairman of the Board is a non-executive director, at least one-third of the Board should comprise of independent directors and in case the company does not have a regular non-executive Chairman, <b>at least half of the Board should comprise of independent directors.</b></li> </ol> <p>Further as per Section 149(4) of the Companies Act, 2013, every listed public company shall have at least one-third of the total number of directors as independent directors and the Central Government may prescribe the minimum number of independent directors in case of any class or classes of public companies.</p> <p>Furthermore, in terms of Para 3.1.2 of the Guidelines on Corporate Governance for Central Public Sector Enterprises, <b>the number of Functional Directors (including CMD/MD) should not exceed 50% of the actual strength of the Board.</b></p> <p>Also, in terms of Para 3.1.4 of the Guidelines on Corporate Governance for Central Public Sector Enterprises, in case of a CPSE listed on the Stock Exchanges and whose Board of Directors is headed by an Executive Chairman, <b>the number of Independent Directors shall be at least 50% of Board Members.</b></p> <p><u>Consequential non-compliances arising due to Non-appointment of Independent Directors on the Board of the Company:-</u></p> <ul style="list-style-type: none"> <li>• Compliance of the provisions of Section 178(1) of the Companies Act, 2013; Para 5.1 of DPE Guidelines on Corporate Governance and Regulation 19 (1) &amp; (2) of the Securities Exchange Board of India (Listing Obligation &amp; Disclosure Requirements) Regulations, 2015 w.r.t. to the composition of the Nomination and Remuneration Committee.</li> </ul> <p><b>Remark:</b> The Board of Directors of the Company is headed by an Executive Chairman, accordingly, the number of Independent Directors should have been at least 50% of the Board Members, however, as on 31.03.2019, the Board of Company comprised of 7 Directors, which includes 4 whole time Members of the Board, 1 Part Time Government Nominee Director and 2 Non-Official Part Time Independent Directors. Accordingly, the composition of the Board and the Nomination &amp; Remuneration Committee is not in compliance with the provisions of Companies Act, 2013, DPE Guidelines on Corporate Governance and Securities and Exchange Board of India (Listing Obligations &amp; Disclosure Requirements) Regulations, 2015. The Company is in constant communication with the Ministry for the appointment of requisite number of Independent directors on the Board of the Company.</p>	<p>Further to the remarks of Secretarial Auditor, it is stated that in terms of clause 86 of Articles of Association (AoA) of PFC, the members of the board of PFC are appointed by President of India. Accordingly, the Company has requested Ministry of Power Government of India to expedite appointment of Independent Director(s) on the Board of the Company to enable the company to comply with the applicable provisions of the Companies Act, 2013, SEBI (LODR), Regulations 2015 and DPE guidelines.</p>



Sl. No.	Observation	Explanation
2.	<p>In terms of Regulation 25(3) &amp; (4) of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the independent directors of the listed entity shall hold at least one meeting in a year, without the presence of non-independent directors and members of management to:-</p> <p>(a) Review the performance of non-independent directors and the Board of Directors as a whole.</p> <p>(b) Review the performance of the Chairperson of the listed entity, taking into account the views of executive directors and non-executive directors.</p> <p>(c) Assess the quality, quantity and timeliness of flow of information between the management of the listed entity and the Board of Directors that is necessary for the Board of Directors to effectively and reasonably perform their duties.</p> <p>Further, in terms of Regulation 17(10) of Securities Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015, the performance evaluation of Independent Directors shall be done by the entire Board of Directors.</p> <p><b>Remark:</b> The Independent Directors has met separately once during the period of Audit. At the said meeting, the Independent Directors assessed the quality, quantity and timeliness of flow of information, as required under Regulation 25 (4) (c) of SEBI (LODR) 2015. As regards performance Evaluation, considering that the matter has been taken up with SEBI by Department of Public Enterprises (DPE) based on recommendations of Committee of Company Secretaries of CPSEs constituted by DPE, as also the practice being followed in peer companies, evaluation criteria has not been evolved. However, the Independent Directors in their separate meeting held on 27.03.2019 desired that the evaluation criteria be evolved afresh.</p>	<p>Further to the remarks of Secretarial Auditor, it is stated that in terms of clause 86 of Articles of Association (AoA) of the Company, the members of the board of PFC are appointed by President of India and the terms &amp; conditions of such appointment including remuneration and evaluation vests with the Government of India.</p>
3.	<p>In terms of Regulation 19(4) read with Schedule II Part D (A) of SEBI (LODR) 2015, the Nomination &amp; Remuneration Committee shall:</p> <p>(a) formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board of Directors a policy relating to, the remuneration of the directors, key managerial personnel and other employees;</p> <p>(b) formulate the criteria for evaluation of performance of Independent Directors and the Board of Directors;</p> <p>(c) devise a policy on diversity of Board of Directors.</p> <p><b>Remark:</b> The Nomination and Remuneration Committee has devised a policy on diversity of Board of Directors, as required under Regulation 19 (4) (c) read with Schedule II Part D (A) of SEBI (LODR) 2015. In respect of Regulation 19(4) (a) &amp; Regulation 19(4) (b) read with Schedule II Part (D) (A) of SEBI (LODR) 2015, the Company has informed that in terms of Clause 86 of Articles of Association of the Company, the members of the Board are appointed by the President of India and the terms and conditions of such appointment including remuneration and evaluation vests with the Government of India.</p>	<p>Further to the remarks of Secretarial Auditor, it is stated that in terms of clause 86 of Articles of Association (AoA) of the Company, the members of the board of PFC are appointed by President of India and the terms &amp; conditions of such appointment including remuneration and evaluation vests with the Government of India.</p>



## Independent Auditors' Report

### TO THE MEMBERS OF POWER FINANCE CORPORATION LIMITED

#### REPORT ON THE AUDIT OF THE STANDALONE FINANCIAL STATEMENTS

##### OPINION

We have audited the standalone financial statements of Power Finance Corporation Limited ('the Company'), which comprise the Balance Sheet as at 31<sup>st</sup> March, 2019, and the Statement of Profit and Loss (including Other Comprehensive Income), Statement of Changes in Equity, and the Statement of Cash Flows for the year then ended, and Notes to the Financial Statements, including a summary of Significant Accounting Policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone 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, of the state of affairs of the Company as at 31<sup>st</sup> March, 2019, and the profit and total comprehensive income, changes in equity and its cash flows for the year ended on that date.

##### BASIS FOR OPINION

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under Section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the Key Audit Matters to be communicated:

Sr. No.	Key Audit Matter	Auditors' Response
1	<p><b>Credit impairment of financial instruments</b></p> <p>The most significant areas where we identified greater levels of management Judgement are:</p> <ul style="list-style-type: none"> <li>Significant Increase in Credit Risk (SICR) – Company has classified SICR based on the indicator defined in Ind AS. Selection of any other criteria can materially impact the ECL recognised for certain portfolios.</li> <li>ECL model – Impairment loss measurement requires use of statistical models to estimate the Probabilities of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). These models are key driver to measure ECL.</li> <li>Individually assessed Stage 3 carrying value – the carrying value of loans and advances to borrowers may be materially misstated if individual impairments are not appropriately identified and estimated. Company has availed services of Crisil Ltd. to estimate the carrying value of its stage 3 portfolio.</li> </ul>	<p><b>Our procedures included:</b></p> <ul style="list-style-type: none"> <li>The assessment and calculation of material SICR indicators and criteria.</li> <li>The accuracy of critical data elements input into the system used for computation of PD and LGD.</li> <li>The completeness and accuracy of data flows from source systems into the ECL calculation.</li> <li>Company has availed services of independent expert to estimate the carrying value of its stage 3 portfolio. We have reviewed the carrying value provided by such expert.</li> </ul> <p><b>Our results:</b></p> <p>We considered the credit impairment charge</p>

	<p>The effect of these matters is that, as part of our risk assessment, we determined that the value of ECL has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.</p>	<p>and provision recognised and the related disclosures to be acceptable &amp; satisfactory.</p>
2	<p><b>Valuation of financial instruments at Fair Value</b></p> <p>Company enters into derivative contracts in accordance with RBI guidelines to manage its currency and interest rate risk. These derivative contracts are categorised at FVTPL and certain derivative contracts are designated under cash flow hedge (Hedge Accounting).</p> <p>We consider the valuation of the derivative financial instruments and hedge accounting as a key audit matter due to material exposure and the fact that the inappropriate application of these requirements could lead to a material effect on the income statement.</p>	<p><b>Our procedures included:</b></p> <p>Company obtains fair value of derivative contracts from the counter party banks. Our procedure include review of the fair value obtained using observable market inputs like prevailing exchange rate, interest rate curves and other volatility index subsequent thereto.</p> <p><b>Our results:</b></p> <p>We did not find any material misstatement in measuring derivative contracts at fair value obtained from counter party banks while considering other inputs.</p>
3	<p><b>Recoverability of Company's investment in Subsidiaries, Associates and Joint Ventures</b></p> <p>The carrying value of the Company's investment in subsidiaries represents 33.50% of the Company's total net worth.</p> <p>Due to the materiality of the investment in the context of the parent Company's financial statements and the market risk related with recoverability of investments, this was considered to be the area of focus during the course of Company's audit.</p>	<p><b>Our procedures included:</b></p> <p>Review of financial statements of all subsidiaries, associates and joint ventures.</p> <p><b>Our results:</b></p> <p>We did not find any material risk in recoverability of the investments.</p>
4	<p><b>Information Technology</b></p> <p><u>Control Performance</u></p> <p>The key financial accounting and reporting processes are highly dependent on the automated controls over the Company's IT systems. There is a risk that improper segregation of duties or user access management controls (in relation to key financial accounting and reporting systems) may undermine our ability to place some reliance thereon in our audit.</p>	<p><b>Our procedures included:</b></p> <p>Evaluated sample of key controls operating over the information in relation to financial accounting and reporting systems.</p> <p><b>Our results:</b></p> <p>We did not find any material deficiencies as per our analysis of reports emanating from IT systems on Financial Accounting and reporting.</p>

#### OTHER MATTER

The comparative financial information of the Company for the year ended 31<sup>st</sup> March, 2018 and the transition date opening balance sheet as at 1<sup>st</sup> April, 2017 included in these Standalone Ind AS financial statements, are based on the previously issued statutory financial statements prepared in accordance with the Companies (Accounting Standards) Rules, 2006 audited by us/the predecessor auditors, whose audit report for the year ended 31<sup>st</sup> March, 2018 and 31<sup>st</sup> March, 2017 dated 25.05.2018 and 29.05.2017 respectively expressed an unmodified opinion on those standalone financial statements, as adjusted for the differences in the accounting principles adopted by the Company on transition to the Ind AS, which have been audited by us.

Our opinion is not modified in respect of above matter.

#### MANAGEMENT'S RESPONSIBILITY FOR THE STANDALONE FINANCIAL STATEMENTS

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the

accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate implementation and maintenance of accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatement in the standalone financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonable knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) Planning the scope of our audit work and in evaluating the results of our work: and (ii) to evaluate the effect of any identified misstatements in the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in term of sub-section (11) of Section 143 of the Companies Act, 2013, we give in the **Annexure "A"** a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. The Comptroller and Auditor General of India has issued the directions and sub directions indicating the areas to be examined in term of Sub-section 5 of Section 143 of the Act, the compliance of which is set out in **Annexure "B"**.
3. As required by Section 143(3) of the Act, we report that:
  - (a) We have sought and 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 it appears from our examination of those books;
  - (c) The Balance Sheet, the statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - (d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
  - (e) In terms of Notification No. GSR 463(E) dated 05.06.2015 issued by Ministry of Corporate Affairs, Government of India, provisions of Sub-section 2 of Section 164 of the Act, are not applicable to the Company, being a government company.
  - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in **Annexure "C"**.
  - (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Note No. 39 to the standalone financial statements;
    - ii. The Company did not have any long - term contracts including derivative contracts for which there were any material foreseeable losses;
    - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

**FOR M.K. AGGARWAL & CO.**  
Chartered Accountants  
Firm's Registration No.: 01411N  
by the hand of

**Sd/-**  
**CA M.K. AGGARWAL**  
Partner  
Membership No.014956

**Date: 29.05.2019**  
**Place: Mumbai**

**FOR GANDHI MINOCHA & CO.**  
Chartered Accountants  
Firm's Registration No.: 000458N  
by the hand of

**Sd/-**  
**CA BHUPINDER SINGH**  
Partner  
Membership No.092867





## Annexure A to Independent Auditors' Report on the Audit of the Standalone Financial Statements

(Referred to in Para 1 under the heading 'Report on other Legal and Regulatory Requirements' of our report of even date to The Members of Power Finance Corporation Limited on the standalone financial statements for the year ended 31<sup>st</sup> March, 2019)

- i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) As explained to us, the management carries out the physical verification of fixed assets once in a year. 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 necessitating any adjustment.
- (c) According to information and explanations given to us, the records examined by us and based on the examination of conveyance deeds/ registered sale deed provided to us, we report that, the title deeds, comprising all immovable properties of land and buildings which are free hold, are held in the name of the Company as at the balance sheet date. In respect of immovable properties of land and building that have been taken on lease, the lease agreement are in the name of the company.
- ii. The Company is a Non-Banking Finance Company. Accordingly it does not hold any inventory. Thus, clause 3(ii) of the Companies (Auditor's Report) Order, 2016 is not applicable.
- iii. As explained to us and verified from books and records, the Company has not granted any loans, secured or unsecured to Companies, firms or other parties covered in the register maintained under Section 189 of the Companies Act, 2013. Further, clauses 3(iii) (a), (b) and (c) of the Companies (Auditor's Report) Order, 2016 are not applicable to the Company.
- iv. The Company has not given any loans, investment, guarantees and securities which may be covered under section 185 and 186 of the Companies Act, 2013.
- v. According to the information and explanations given to us, the Company has not accepted any deposit from public during the year within the meaning of section 73 to 76 or any other relevant provision of the companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014.
- vi. The Central Government has not prescribed the maintenance of cost records under Sub-section 1 of Section 148 of the Act, for any of the services rendered by the Company. Accordingly, clause 3(vi) of the Companies (Auditor's Report) Order, 2016 is not applicable to the Company.
- vii. 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 regular in depositing with appropriate authorities, undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Service Tax, Goods & Service Tax and other material statutory dues as applicable to it and there is no undisputed amount payable in respect of aforesaid dues outstanding for a period of more than six months from the date they become payable as on 31<sup>st</sup> March, 2019, as per the accounts of the Company.

(b) Wherever any dues / demand has been raised by any statutory authority and has been disputed by the Company, the same has been duly deposited under protest except in following cases:

Name of the Statute	Nature of the Dues	Total Disputed Amount (₹)	Amount paid under protest (₹)	Pending Amount (₹)	Period to which the amount relates	Forum where dispute is pending
Chapter V of Finance Act, 1994	Service Tax and Penalty	86,55,830	5,90,170/-	80,65,660	01 April, 2011 to 31 December, 2015	CESTAT, Delhi
		16,91,418	Nil	16,91,418	01 January, 2016 to 30 November, 2016	Commissioner, CE & ST, LTU, New Delhi
Income Tax Act, 1961	Income Tax	17,64,18,418	15,30,70,190	2,33,48,228	AY 2016-17	CIT (Appeals) - 22, Delhi
Income Tax Act, 1961	Penalty	25,91,23,160	Nil*	25,91,23,160	AY 2014-15	CIT (Appeals) - 22, Delhi

\*The due date of payment of penalty amount is 28<sup>th</sup> April, 2019 against which stay of demand has been granted upon payment of 20% of total demand till disposal of company's appeal before CIT(A) or till 30.10.2019. Accordingly, amount of ₹5,18,24,630/- (20% of total demand) has been deposited by the Corporation on 26.04.2019.

- viii. According to information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not defaulted in repayment of loans or borrowing to a financial institution, bank, Government or dues to debenture holders.
- ix. Money raised by the company by way of all types of debt instruments and term loans during the year was applied for the purposes for which it was raised.
- x. To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company or any fraud on the Company by its officers and employees has been noticed or reported during the year.
- xi. According to information and explanations given to us, being a Government Company, Section 197 of Companies Act, 2013 does not apply to the Company. Accordingly, clause 3(xi) of the Companies (Auditor's Report) Order, 2016 is not applicable.
- xii. According to information and explanations given to us, the Company is not a Nidhi Company. Hence, the Nidhi Rules, 2014 are not applicable to the Company. Accordingly, clause 3(xii) of the Companies (Auditor's Report) Order, 2016 is not applicable to the Company.
- xiii. According to information and explanations given to us and on the basis of our examination of the records of the Company, all transactions with the related parties are in compliance with Section 177 and 188 of the Companies Act, 2013 where applicable. The details have been disclosed in the Financial Statements as per the requirement of the accounting standard.
- xiv. According to information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
- xv. The Company has not entered into any non-cash transactions with directors or persons connected with them which are covered under Section 192 of Companies Act, 2013.





xvi. The Company is a Non- Banking Finance Company and has obtained registration under section 45-IA of the Reserve Bank of India Act, 1934.

**FOR M.K. AGGARWAL & CO.**

Chartered Accountants

Firm's Registration No.: 01411N

by the hand of

**Sd/-**

**CA M.K. AGGARWAL**

Partner

Membership No.014956

**FOR GANDHI MINOCHA & CO.**

Chartered Accountants

Firm's Registration No.: 000458N

by the hand of

**Sd/-**

**CA BHUPINDER SINGH**

Partner

Membership No.092867

**Date: 29.05.2019**

**Place: Mumbai**

CORPORATE OVERVIEW

DIRECTORS' REPORT

FINANCIAL STATEMENTS

### Annexure-B to Independent Auditors' Report on the Audit of the Standalone Financial Statements

(Referred to in Para 2 under the heading 'Report on other Legal and Regulatory Requirements' of our report of even date to The Members of Power Finance Corporation Limited on the standalone financial statements for the year ended 31<sup>st</sup> March, 2019)

As required under Section 143(5) of the Companies Act 2013, with respect to the directions and sub-directions issued by The Comptroller & Auditor General of India, we report that :

Sl. No.	Questionnaire	Replies
1	Whether the Company has system in place to process all the accounting transactions through IT system? If yes, the implications of processing of accounting transactions outside IT system on the integrity of the accounts along with the financial implications, if any, may be stated.	Company has a system in place to process all the accounting transactions through IT system. During FY 2018-19, all the accounting transactions have been processed through IT system. Since system of processing all financial transactions is in place, all transactions are done mandatorily through system only, as such question of processing of transactions outside IT system on the integrity of the accounts doesn't arise.
2	Whether there is any restructuring of an existing loan or cases of waiver / write off of debts / loans / interest etc. made by a lender to the company due to the company's inability to repay the loan? If yes, the financial impact may be stated.	During the year under consideration, there is no case of restructuring of any existing loan or case of waiver / write off of debts / loans / interest etc. by a lender to the Company.
3	Whether funds received / receivable for specific schemes from Central / State agencies were properly accounted for / utilized as per its term and conditions? List the cases of deviation.	Funds released by Ministry of Power for the projects / schemes sanctioned under Integrated Power Development Scheme (R-APDRDP subsumed) have been properly accounted for and released onward to the beneficiaries as per guidelines and terms & conditions of sanction.
4	Keeping in view the expiry of exemption given by RBI to PFC from RBI's restructuring norms on 31.03.2017, the Company has been advised to seek a clarification from RBI with regard to the date of applicability of RBI restructuring norms, especially on the existing loans which were hitherto classified under the restructuring norms approved by MoP so that the financial statements for the year 2018-19 are finalized accordingly.	The matter pertains to application of RBI's Restructuring/ Reschedulement / Renegotiation norms (RRR) on certain class of assets where exemption was available upto 31.03.2017. In this regard, it is submitted that the Company has adopted Ind AS w.e.f. 01.04.2018 as required under Companies (Indian Accounting Standards) Rules, 2015 and Ind AS does not prescribe such restructuring norms for asset classification and provisioning thereon. The asset classification and provisioning has been done in accordance with requirements of IndAS.

#### FOR M.K. AGGARWAL & CO.

Chartered Accountants

Firm's Registration No.: 01411N

by the hand of

Sd/-

**CA M.K. AGGARWAL**

Partner

Membership No.014956

**Date: 29.05.2019**

**Place: Mumbai**

#### FOR GANDHI MINOCHA & CO.

Chartered Accountants

Firm's Registration No.: 000458N

by the hand of

Sd/-

**CA BHUPINDER SINGH**

Partner

Membership No.092867

## Annexure C to the Independent Auditors 'Report on the Audit of the Standalone Financial Statements

(Referred to in Para 3(f) under the heading 'Report on other Legal and Regulatory Requirements' of our report of even date to The Members of Power Finance Corporation Limited on the standalone financial statements for the year ended 31<sup>st</sup> March, 2019)

### Report on the Internal Financial Controls with reference to standalone financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls with reference to standalone financial statements of Power Finance Corporation Limited ("the Company") as of 31<sup>st</sup> March, 2019 in conjunction with our audit of the Standalone Financial Statements of the Company for the year ended on that date.

#### MANAGEMENT'S RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROLS

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls with reference to financial statements that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI prescribed under Sub-section 10 of Section 143 of the Act, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether internal financial controls with reference to financial statements were established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the internal financial controls system with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system with reference to financial statements.

#### MEANING OF INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO FINANCIAL STATEMENTS

A company's internal financial control with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control with reference to financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of the Management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

#### INHERENT LIMITATIONS OF INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO FINANCIAL STATEMENTS

Because of the inherent limitations of internal financial controls with reference to financial statements, including the

possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial control with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### **OPINION**

In our opinion, the Company has, in all material respects, an internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at 31<sup>st</sup> March, 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

#### **FOR M.K. AGGARWAL & CO.**

Chartered Accountants

Firm's Registration No.: 01411N

by the hand of

Sd/-

**CA M.K. AGGARWAL**

Partner

Membership No.014956

**Date: 29.05.2019**

**Place: Mumbai**

#### **FOR GANDHI MINOCHA & CO.**

Chartered Accountants

Firm's Registration No.: 000458N

by the hand of

Sd/-

**CA BHUPINDER SINGH**

Partner

Membership No.092867



## NON-BANKING FINANCIAL COMPANIES AUDITORS' REPORT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2019

To

Board of Directors

Power Finance Corporation Limited

Urjanidhi, 1, Barakhamba Lane,

Connaught Place, New Delhi-110001

Dear Sir,

As required by the "Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 2016" issued by the Reserve Bank of India, on the matters specified in Chapter - II of the said Directions to the extent applicable to the Company, we report that:

1. The Company is engaged in the business of non-banking financial institution, having valid certificate of registration as an Infrastructure Finance Company issued by Reserve Bank of India vide No. B- 14.00004 dated 28-07-2010 in lieu of earlier certificate no. 14.00004 dated 10.02.1998. Further, the Company is entitled to continue to hold such registration in terms of its asset / income pattern as on 31.03.2019.
2. The Company is meeting the requirement of net owned funds applicable to an Infrastructure Finance Company as contained in Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.
3. The company is registered as Non-deposit accepting Infrastructure Finance Company with RBI. The Board of Directors has passed resolution in its meeting held on 25.05.2018 for non-acceptance of any public deposit during FY 2018-19.
4. Company has not accepted any public deposits during the financial year 2018-19.
5. As per roadmap issued by Ministry of Corporate Affairs regarding applicability of Ind AS, Company is required to apply Ind AS from FY 2018-19 (with transition date of 01.04.2017). The prudential norms related to income recognition, accounting standards, asset classification, provisioning etc. specified in RBI's Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 are inconsistent with the Ind AS system of calculating expected credit loss on impaired loans and classification thereof. The Company has aligned its income recognition, asset classification, provisioning etc. as per requirements of Ind AS.
6. As per information and explanation given to us, the statement of capital funds, risk assets/exposures and risk asset ratio(NBS-7 return) has been filed by company for all the quarters of FY 2018-19 based on financial results of respective quarters, drawn on the date of filing with in the stipulated period including CRAR in compliance with RBI norms. Further, CRAR based on audited financial statements for the year ended 31.03.2019 has been correctly arrived at and it is in compliance with minimum prescribed CRAR by RBI.

**FOR M.K. AGGARWAL & CO.**

Chartered Accountants

Firm's Registration No.: 01411N

by the hand of

Sd/-

**CA M.K. AGGARWAL**

Partner

Membership No.014956

Date: 29.05.2019

Place: Mumbai

**FOR GANDHI MINOCHA & CO.**

Chartered Accountants

Firm's Registration No.: 000458N

by the hand of

Sd/-

**CA BHUPINDER SINGH**

Partner

Membership No.092867

CORPORATE OVERVIEW

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**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF POWER FINANCE CORPORATION LIMITED FOR THE YEAR ENDED 31 MARCH 2019**

The preparation of financial statements of Power Finance Corporation Limited for the year ended 31 March 2019 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the Management of the Company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 139 (5) of the Act are responsible for expressing opinion on the financial statements under Section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143 (10) of the Act. This is stated to have been done by them vide their Audit Report dated 29 May 2019.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the financial statements of Power Finance Corporation Limited for the year ended 31 March 2019 under Section 143 (6) (a) of the Act. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records.

On the basis of my supplementary audit, nothing significant has come to my knowledge which would give rise to any comment upon or supplement to statutory auditor's report under section 143 (6) (b) of the Act.

**For and on behalf of the  
Comptroller & Auditor General of India**

**Sd/-  
(Rina Akoijam)  
Principal Director of Commercial Audit &  
Ex-officio Member, Audit Board – III,  
New Delhi**

**Place : New Delhi  
Date : 26.07.2019**

**Power Finance Corporation Limited**  
**CIN L65910DL1986GOI024862**  
**Standalone Balance Sheet as at March 31, 2019**

(₹ in crore)

Sr. No.	Particulars	Note No.	As at 31.03.2019	As at 31.03.2018	As at 01.04.2017
<b>1</b>	<b>ASSETS</b>				
	<b>Financial Assets</b>				
	(a) Cash and Cash Equivalents	6	308.48	537.71	42.87
	(b) Bank Balance other than included in Cash and Cash Equivalents	7	13,846.53	15.49	3,530.29
	(c) Derivative Financial Instruments	8	567.98	229.09	299.87
	(d) Loans	9	303,210.36	266,011.38	235,088.75
	(e) Investments	10	16,586.20	2,520.04	3,870.38
	(f) Other Financial Assets	11	5,376.40	5,276.91	5,249.43
	<b>Total Financial Assets (1)</b>		<b>339,895.95</b>	<b>274,590.62</b>	<b>248,081.59</b>
<b>2</b>	<b>Non- Financial Assets</b>				
	(a) Current Tax Assets (Net)	12	628.59	508.12	346.24
	(b) Deferred Tax Assets (Net)	35	4,060.73	4,547.26	3,570.22
	(c) Property, Plant and Equipment	13	27.74	26.08	24.01
	(d) Intangible Assets	13	0.59	0.89	0.69
	(e) Other Non-Financial Assets	14	242.09	235.48	1,010.53
	<b>Total Non- Financial Assets (2)</b>		<b>4,959.74</b>	<b>5,317.83</b>	<b>4,951.69</b>
	<b>Total Assets (1+2)</b>		<b>344,855.69</b>	<b>279,908.45</b>	<b>253,033.28</b>
<b>1</b>	<b>LIABILITIES AND EQUITY</b>				
	<b>LIABILITIES</b>				
	<b>Financial Liabilities</b>				
	(a) Derivative Financial Instruments	8	505.59	240.68	68.41
	(b) Debt Securities	15	205,584.49	206,811.79	194,444.34
	(c) Borrowings (other than Debt Securities)	16	80,344.53	26,080.17	11,591.76
	(d) Subordinated Liabilities	17	9,309.70	3,892.76	3,892.64
	(e) Other Financial Liabilities	18	5,327.84	5,393.19	7,258.52
	<b>Total Financial Liabilities (1)</b>		<b>301,072.15</b>	<b>242,418.59</b>	<b>217,255.67</b>
<b>2</b>	<b>Non- Financial Liabilities</b>				
	(a) Current Tax Liabilities (Net)	12	130.70	129.97	130.43
	(b) Provisions	19	264.00	291.17	63.66
	(c) Other Non-Financial Liabilities	20	100.85	112.57	158.44
	<b>Total Non- Financial Liabilities (2)</b>		<b>495.55</b>	<b>533.71</b>	<b>352.53</b>
	<b>Total Liabilities (1+2)</b>		<b>301,567.70</b>	<b>242,952.30</b>	<b>217,608.20</b>
<b>3</b>	<b>Equity</b>				
	(a) Equity Share Capital	21	2,640.08	2,640.08	2,640.08
	(b) Other Equity	22	40,647.91	34,316.07	32,785.00
	<b>Total Equity (3)</b>		<b>43,287.99</b>	<b>36,956.15</b>	<b>35,425.08</b>
	<b>Total Liabilities and Equity (1+2+3)</b>		<b>344,855.69</b>	<b>279,908.45</b>	<b>253,033.28</b>

Accompanying notes to the Standalone Financial Statements

1 to 57

For and on Behalf of Board of Directors

Sd/-  
(Manohar Balwani)  
Company Secretary

Sd/-  
(N. B. Gupta)  
Director (Finance)  
DIN - 00530741

Sd/-  
(Rajeev Sharma)  
Chairman and Managing Director  
DIN - 00973413

Signed in terms of our report of even date attached

For M.K. Aggarwal & Co.  
Chartered Accountants  
Firm Regn No - 01411N

For Gandhi Minocha & Co.  
Chartered Accountants  
Firm Regn No - 000458N

Sd/-  
(CA M.K. Aggarwal)  
Partner  
Membership No: 014956

Sd/-  
(CA Bhupinder Singh)  
Partner  
Membership No.-092867

Place : Mumbai  
Date : 29.05.2019



**Power Finance Corporation Limited**  
**CIN L65910DL1986GOI024862**

**Standalone Statement of Profit and Loss for the year ended March 31, 2019**

(₹ in crore)

Sr. No.	Particulars	Note No.	Year ended 31.03.2019	Year ended 31.03.2018
	<b>Revenue from Operations</b>			
	(i) Interest Income	23	28,440.97	25,562.03
	(ii) Dividend Income	36	167.03	146.23
	(iii) Fees and Commission Income	24	149.02	267.59
	(iv) Net Gain on Fair Value Changes	25	84.98	-
<b>I.</b>	<b>Total Revenue from Operations</b>		<b>28,842.00</b>	<b>25,975.85</b>
<b>II.</b>	<b>Other Income</b>	26	<b>9.29</b>	<b>4.40</b>
<b>III.</b>	<b>Total Income (I+II)</b>		<b>28,851.29</b>	<b>25,980.25</b>
	<b>Expenses</b>			
	(i) Finance Costs	27	18,981.76	16,955.89
	(ii) Net Translation / Transaction Exchange Loss (+) / Gain (-)	37	520.23	213.10
	(iii) Fees and Commission Expense	28	10.09	8.58
	(iv) Net Loss on Fair Value changes	25	-	193.19
	(v) Impairment on Financial Instruments	29	(871.48)	2,391.01
	(vi) Employee Benefits Expenses	30	173.57	176.64
	(vii) Depreciation and Amortisation	13	6.14	6.41
	(viii) Corporate Social Responsibility Expenses	38	100.50	118.88
	(ix) Other Expenses	31	114.69	71.44
<b>IV.</b>	<b>Total Expenses</b>		<b>19,035.50</b>	<b>20,135.14</b>
<b>V.</b>	<b>Profit/(Loss) Before Exceptional Items and Tax (III-IV)</b>		<b>9,815.79</b>	<b>5,845.11</b>
<b>VI.</b>	<b>Exceptional Items</b>		<b>-</b>	<b>-</b>
<b>VII.</b>	<b>Profit/(Loss) Before Tax (V-VI)</b>		<b>9,815.79</b>	<b>5,845.11</b>
	<b>Tax Expense:</b>	35		
	(1) Current Tax			
	Current Year		2,346.50	2,434.68
	Earlier Years		1.22	(1.07)
	(2) Deferred Tax		515.15	(975.27)
<b>VIII.</b>	<b>Total Tax Expense</b>		<b>2,862.87</b>	<b>1,458.34</b>
<b>IX.</b>	<b>Profit/(Loss) for the year from Continuing Operations (VII-VIII)</b>		<b>6,952.92</b>	<b>4,386.77</b>
<b>X.</b>	<b>Profit/(Loss) From Discontinued Operations (After Tax)</b>		<b>-</b>	<b>-</b>
<b>XI.</b>	<b>Profit/(Loss) for the year (for continuing and discontinued operations) (IX+X)</b>		<b>6,952.92</b>	<b>4,386.77</b>
<b>XII.</b>	<b>Other Comprehensive Income</b>			
	(i) Items that will not be reclassified to Profit or Loss			
	- Re-measurement of Defined Benefit Plans		(3.63)	5.72
	- Net Gain / (Loss) on Fair Value of Equity Instruments		(154.88)	(331.24)
	(ii) Income Tax relating to items that will not be reclassified to Profit or Loss			
	- Re-measurement of Defined Benefit Plans		1.69	1.78
	(iii) Items that will be reclassified to Profit or Loss			
	Effective Portion of Gains and (Loss) on Hedging Instruments in Cash Flow Hedge		(77.08)	-
	(iv) Income Tax relating to items that will be reclassified to Profit or Loss		26.93	-
	<b>Other Comprehensive Income</b>		<b>(206.97)</b>	<b>(323.74)</b>
<b>XIII.</b>	<b>Total Comprehensive Income for the year (XI+XII)</b>		<b>6,745.95</b>	<b>4,063.03</b>
<b>XIV.</b>	<b>Earnings Per Equity Share (Face Value ₹ 10/- each)</b>			
	<b>(for continuing and discontinued operations) :</b>	41		
	(1) Basic EPS (₹)		26.34	16.62
	(2) Diluted EPS (₹)		26.34	16.62

Accompanying notes to the Standalone Financial Statements

1 to 57

For and on Behalf of Board of Directors

**Sd/-**  
**(Manohar Balwani)**  
Company Secretary

**Sd/-**  
**(N. B. Gupta)**  
Director (Finance)  
DIN - 00530741

**Sd/-**  
**(Rajeev Sharma)**  
Chairman and Managing Director  
DIN - 00973413

Signed in terms of our report of even date attached

**For M.K. Aggarwal & Co.**  
Chartered Accountants  
Firm Regn No - 01411N

**Sd/-**  
**(CA M.K. Aggarwal)**  
Partner  
Membership No: 014956

**For Gandhi Minocha & Co.**  
Chartered Accountants  
Firm Regn No - 000458N

**Sd/-**  
**(CA Bhupinder Singh)**  
Partner  
Membership No.-092867

Place : Mumbai  
Date : 29.05.2019



**Power Finance Corporation Limited**  
**CIN L65910DL1986GOI024862**  
**Standalone Statement of Changes in Equity for the year ended March 31, 2019**

**A. Equity Share Capital**

Particulars	(₹ in crore) Amount
Balance as at 01.04.2017	2,640.08
Changes during the year	-
Balance as at 31.03.2018	2,640.08
Changes during the year	-
Balance as at 31.03.2019	2,640.08

**B. Other Equity**

Particulars	Reserves and surplus										Effective Portion of Gains / (Loss) on Hedging Instruments in Cash Flow Hedge	Total
	Special Reserve created u/s 45-IC(1) of Reserve Bank of India Act, 1934	Reserve for Bad & doubtful debts u/s 36(1)(vii)(c) of Income Tax Act, 1961	Special Reserve created u/s 36(1)(viii) of Income Tax Act, 1961 upto Financial Year 1996-97	Special Reserve created and maintained u/s 36(1)(viii) of Income Tax Act, 1961 from Financial Year 1997-98	Debt Redemption Reserve	Securities Premium	Foreign Currency Item Translation Difference Account	Interest Differential Reserve - KFW Loan	General Reserve	Retained Earnings	Equity Instruments through comprehensive Income	
<b>Balance as at 01.04.2017</b>	16.99	3,014.69	599.85	14,325.30	1,434.17	2,776.54	(288.12)	56.41	5,438.68	5,184.72	225.77	<b>32,785.00</b>
Profit for the year												
Re-measurement of Defined Benefit Plans (net of tax)												
Other Comprehensive Income / (Expense)												
<b>Total Comprehensive Income for the year</b>	-	-	-	-	-	-	-	-	-	4,386.77	(331.24)	4,386.77
Dividends	-	-	-	-	-	-	-	-	-	7.50	(331.24)	7.50
Dividend Distribution Tax	-	-	-	-	-	-	-	-	-	4,394.27	(331.24)	(331.24)
Transfer to / from Retained Earnings	-	-	-	-	-	-	-	-	-	(2,059.26)	-	(2,059.26)
Additions / Deletions during the year (net)	6.37	372.10	-	1,595.06	292.65	-	(68.29)	1.49	1,000.00	(404.41)	(0.78)	(404.41)
<b>Balance as at 31.03.2018</b>	23.36	3,386.79	599.85	15,920.36	1,726.82	2,776.54	(356.41)	57.90	6,438.68	3,848.43	(106.25)	<b>34,316.07</b>
Profit for the year												
Re-measurement of Defined Benefit Plans												
Other Comprehensive Income / (Expense)												
<b>Total Comprehensive Income for the year</b>										6,952.92	(154.88)	6,952.92
Transfer to / from Retained Earnings	1,390.58	353.42	-	1,577.91	289.73	-	(413.31)	-	1,000.00	(1,94)	(50.15)	(1,94)
Additions / Deletions during the year (net)	-	-	-	-	(2.30)	-	-	2.10	-	(4,597.08)	(14.56)	(4,597.08)
<b>Balance as at 31.03.2019</b>	1,413.94	3,740.21	599.85	17,498.27	2,014.25	2,776.54	(769.72)	60.00	7,438.68	6,202.53	(276.49)	<b>40,647.91</b>

Accompanying notes to the Standalone Financial Statements 1 to 57

For and on Behalf of Board of Directors

Sd/-  
(Manohar Balwani)  
Company Secretary

Sd/-  
(N. B. Gupta)  
Director (Finance)  
DIN - 00530741

Sd/-  
(Rajeev Sharma)  
Chairman and Managing Director  
DIN - 00973413

Signed in terms of our report of even date attached

For M.K. Aggarwal & Co.  
Chartered Accountants  
Firm Regn No - 01411N

For Gandhi Minocha & Co.  
Chartered Accountants  
Firm Regn No - 000458N

Sd/-  
(CA M.K. Aggarwal)  
Partner  
Membership No: 014956

Sd/-  
(CA Bhupinder Singh)  
Partner  
Membership No-092867

Place : Mumbai  
Date : 29.05.2019

**FINANCIAL STATEMENTS**

**DIRECTORS' REPORT**

**CORPORATE OVERVIEW**

**Power Finance Corporation Limited**  
**CIN L65910DL1986GOI024862**  
**Standalone Cash Flow Statement for the year ended March 31, 2019**

(₹ in crore)

Sr. No.	Description	Year ended 31.03.2019		Year ended 31.03.2018	
I.	<b>Cash Flow from Operating Activities :-</b>				
	<b>Profit before Tax</b>	<b>9,815.79</b>		<b>5,845.11</b>	
	<b>Add / (Less): Adjustments for</b>				
	Loss on derecognition of Property, Plant and Equipment (net)	0.32		0.42	
	Depreciation and Amortisation	6.14		6.41	
	Amortization of discount on Zero Coupon Bonds and Financial Charges on Commercial Papers	(136.83)		(66.42)	
	Unrealised Foreign Exchange Translation Loss / (Gain)	519.07		198.97	
	Net Change in Fair Value	(84.98)		193.19	
	Effective Interest Rate on Loans	(10.47)		15.82	
	Impairment on Financial Instruments	(871.48)		2,391.01	
	Accrued Interest on investment	(288.60)		(253.50)	
	Interest Subsidy Fund	3.46		9.32	
	Provision for interest under Income Tax Act, 1961	5.86		-	
	Excess Liabilities written back	-		(0.84)	
	Provision for Retirement Benefits etc.	56.09		72.39	
	Dividend Income	(167.03)		(146.23)	
	Effective Interest Rate on Borrowings / Debt Securities / Subordinated Liabilities	(0.35)		(82.88)	
	Interest on Income Tax Refund	(8.29)		(4.78)	
	<b>Operating profit before Working Capital Changes:</b>	<b>8,838.71</b>		<b>8,177.99</b>	
	<b>Increase / Decrease :</b>				
	Loans (Net)	(36,321.76)		(33,153.02)	
	Other Assets (Financial and Non-Financial)	(13,897.14)		3,425.35	
	Derivative	11.00		49.86	
	Liabilities and provisions	(668.69)		(577.45)	
	<b>Cash Flow before Exceptional Items</b>	<b>(42,037.88)</b>		<b>(22,077.27)</b>	
	Exceptional Items	-		-	
	<b>Cash Flow from Operations Before Tax</b>	<b>(42,037.88)</b>		<b>(22,077.27)</b>	
	Income Tax paid	(2,544.76)		(2,632.95)	
	Income Tax Refund	81.34		1.83	
	<b>Net Cash flow from Operating Activities</b>		<b>(44,501.30)</b>		<b>(24,708.39)</b>
II.	<b>Cash Flow From Investing Activities :</b>				
	Proceeds from disposal of Property, Plant and Equipment	0.11		0.22	
	Purchase of Property, Plant and Equipment	(7.93)		(9.32)	
	Investments in Subsidiaries	(14,500.00)		-	
	Interest on investment	243.25		271.56	
	Dividend on investment	167.03		146.23	
	Increase / Decrease in Other Investments	277.97		1,019.10	
	<b>Net Cash Used in Investing Activities</b>		<b>(13,819.57)</b>		<b>1,427.79</b>
III.	<b>Cash Flow From Financing Activities :</b>				
	Issue of Bonds (including premium) (Net of Redemptions)	(8,957.74)		4,046.31	
	Raising of Long Term Loans (Net of Repayments)	35,678.55		8,525.00	
	Raising of Foreign Currency Loans (Net of Repayments)	9,634.40		9,547.20	
	Raising of Subordinated Liabilities (Net of Redemptions)	5,411.50		(0.00)	
	Raising of Commercial paper (Net of Repayments)	2,970.00		7,030.00	
	Raising of Working Capital Demand Loan / OD / CC / Line of Credit (Net of Repayments)	13,357.18		(2,400.79)	
	Unclaimed Bonds (Net)	(2.78)		3.41	
	Unclaimed Dividend (Net)	0.53		1.20	
	Payment of Interim Dividend*	-		(2,505.30)	
	Payment of Corporate Dividend Tax	-		(471.59)	
	<b>Net Cash in-flow from Financing Activities</b>		<b>58,091.65</b>		<b>23,775.45</b>
	<b>Net Increase / Decrease in Cash and Cash Equivalents</b>		<b>(229.23)</b>		<b>494.84</b>
	Add : Cash and Cash Equivalents at beginning of the financial year		537.71		42.87
	<b>Cash and Cash Equivalents at the end of the financial year</b>		<b>308.48</b>		<b>537.71</b>



Details of Cash and Cash Equivalents at the end of the year:			
i) Balances with Banks (of the nature of cash and cash equivalents)			
In current accounts	8.48		4.76
In demand deposit accounts	300.00	308.48	532.95
ii) Cheques, Drafts on hand including postage and Imprest			
<b>Total Cash and Cash Equivalents at the end of the year</b>		<b>308.48</b>	<b>537.71</b>

\* Payment of interim dividend for FY 2017-18 of ₹ 2505.30 crore includes ₹ 446.04 crore pertaining to FY 2016-17.

#### Reconciliation of liabilities arising from financing activities

(₹ in crore)

Sr. No.	Particulars	Bonds / Debenture*	Term Loans**	Foreign Currency Loans	Commercial Paper	WCDL	Subordinated Debts	Total
	<b>Opening Balance as at 01.04.2017</b>	<b>185,943.37</b>	<b>2,000.00</b>	<b>8,443.88</b>	<b>-</b>	<b>2,400.79</b>	<b>3,800.00</b>	<b>202,588.04</b>
	Cash Flow During the Year	4,046.31	8,525.00	9,547.20	7,030.00	(2,400.79)	(0.00)	26,747.73
	<b>Non-Cash Changes due to:</b>							
	Amortisation of discount / interest on Zero Coupon Bond / Financial Charges on Commercial Paper	38.85	-	-	(105.26)	-	-	(66.42)
	Variation in Exchange Rates	-	-	269.00	-	-	-	269.00
	<b>Closing Balance as at 31.03.2018</b>	<b>190,028.53</b>	<b>10,525.00</b>	<b>18,260.08</b>	<b>6,924.74</b>	<b>-</b>	<b>3,800.00</b>	<b>229,538.35</b>
	Cash Flow During the Year	(8,957.74)	35,678.55	9,634.40	2,970.00	13,357.18	5,411.50	58,093.90
	<b>Non-Cash Changes due to:</b>							
	Amortization of discount on Zero Coupon Bonds & Financial Charges on Commercial Papers	42.00	-	-	(178.82)	-	-	(136.83)
	Variation in Exchange Rates	-	-	932.38	-	-	-	932.38
	<b>Closing Balance as at 31.03.2019</b>	<b>181,112.79</b>	<b>46,203.55</b>	<b>28,826.86</b>	<b>9,715.92</b>	<b>13,357.18</b>	<b>9,211.50</b>	<b>288,427.80</b>

\*Foreign Currency Notes form part of Foreign Currency Loans in Cash Flow Statement

\*\*Foreign Currency loans and syndicated foreign currency loans form part of foreign currency loan in cash flow statement.

For and on Behalf of Board of Directors

Sd/-  
(Manohar Balwani)  
Company Secretary

Sd/-  
(N. B. Gupta)  
Director (Finance)  
DIN - 00530741

Sd/-  
(Rajeev Sharma)  
Chairman and Managing Director  
DIN - 00973413

Signed in terms of our report of even date attached

For M.K. Aggarwal & Co.  
Chartered Accountants  
Firm Regn No - 01411N

For Gandhi Minocha & Co.  
Chartered Accountants  
Firm Regn No - 000458N

Sd/-  
(CA M.K. Aggarwal)  
Partner  
Membership No: 014956

Sd/-  
(CA Bhupinder Singh)  
Partner  
Membership No.-092867

Place : Mumbai  
Date : 29.05.2019

## Notes to the Standalone Financial Statements for the year ended March 31, 2019

### 1. Company Information

Power Finance Corporation Limited ("PFC" or the "Company") was incorporated in the year 1986. The Company is domiciled in India and is limited by shares, having its registered office at 'Urjanidhi', 1, Barakhamba Lane, Connaught Place, New Delhi - 110001.

The Company is a Government Company engaged in extending financial assistance to power sector and is a Systemically Important (Non-Deposit Accepting or Holding) Non-Banking Finance Company (NBFC) registered with Reserve Bank of India (RBI) as an Infrastructure Finance Company (IFC).

Equity shares of the Company are listed on the National Stock Exchange of India Limited (NSE) and BSE Limited.

### 2. Statement of Compliance

**2.1** The Company has adopted Indian Accounting Standards (referred to as "Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended) with effect from 01.04.2018. These Standalone Financial Statements comply with Ind AS notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended), applicable provisions of the Companies Act, 2013 and other applicable regulatory norms / guidelines. These are the Company's first Ind AS Standalone Financial Statements and the date of transition is 01.04.2017.

The Company prepared its standalone financial statements up to the year ended 31.03.2018, in accordance with the requirements of previous Generally Accepted Accounting Principles (previous GAAP), which included Accounting Standards (AS) specified under Section 133 of the Companies Act, 2013 read with rules made thereunder and applicable RBI directions. The Company followed the provisions of Ind AS 101-'First Time adoption of Indian Accounting Standards' in preparing its opening Ind AS Standalone Balance Sheet as of the date of transition and adjustments were made to restate the opening balances as per Ind AS. The impact of transition has been accounted for in the opening reserves as at 01.04.2017. The comparative figures have been presented in accordance with the same accounting principles that are used in preparation of the Company's first Ind AS standalone financial statements.

The mandatory exceptions and optional exemptions availed by the Company on First-time adoption have been detailed in Note 4. Further, in accordance with Ind AS 101, the Company has presented a reconciliation of total equity under previous GAAP & under Ind AS as at 31.03.2018 & 01.04.2017 and of the Profit after tax as per Previous GAAP & Total Comprehensive Income as per Ind AS for the year ended 31.03.2018 as detailed in Note 43.

**2.2** These standalone financial statements have been approved by Board of Directors (BoD) on 29.05.2019.

**2.3** Standards issued but not yet effective

#### Ind AS 116 - Leases:

On 30.03.2019, Ministry of Corporate Affairs (MCA) has notified Ind AS 116 'Leases'. Ind AS 116 will replace Ind AS 17 and related interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. Ind AS 116 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The Standard also contains enhanced disclosure requirements for lessees.

#### Ind AS 12 - Appendix C, Uncertainty over Income Tax Treatments:

On 30.03.2019, MCA has notified Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments which is to be applied while performing the determination of taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. According to the appendix, entities need to determine the probability of the relevant tax authority accepting each tax treatment, or group of tax treatments, that they have used or plan to use in their income tax filing which has to be considered to compute the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

#### Amendment to Ind AS 12 – Income taxes:

On 30.03.2019, MCA issued amendments to the guidance in Ind AS 12, 'Income Taxes', in connection with accounting for dividend distribution taxes. The amendment clarifies that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

#### Amendment to Ind AS 19 – Plan amendment, curtailment or settlement:

On 30.03.2019, Ministry of Corporate Affairs issued amendments to Ind AS 19, 'Employee Benefits', in

connection with accounting for plan amendments, curtailments and settlements requiring an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and to recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

The effective date for application of these amendments is annual period beginning on or after 01.04.2019. The Company is currently evaluating the effect of these amendments on the Standalone financial statements.

### 3. Significant Accounting Policies

The significant accounting policies applied in preparation of the standalone financial statements are as given below:

#### 3.1 Basis of Preparation and Measurement

These standalone financial statements have been prepared on going concern basis following accrual system of accounting. The assets and liabilities have been measured at historical cost or at amortised cost or at fair value at the end of each reporting period.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

Fair value measurements are categorised into Level 1, 2 or 3 as per Ind AS requirement, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

#### 3.2 Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits. The Company considers cash equivalents as all short term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

#### 3.3 Derivative financial instruments

- (i) The Company enters into a variety of derivative financial instruments such as Principal only swaps, Interest rate swaps, Options and forward contracts to manage its exposure to interest rate and foreign exchange rate risks.
- (ii) The Company designates certain derivative contracts under hedge relationship either as cash flow hedges or fair value hedges.

##### Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in Other Comprehensive Income. The gain or loss relating to ineffective portion is recognised immediately in Statement of Profit and Loss. Amounts recognised in Other Comprehensive Income (being effective portion) are reclassified to Statement of Profit and Loss in the periods when the hedged item affects profit or loss.

##### Fair value hedge

Changes in fair value of the designated portion of derivatives that qualify as fair value hedges are recognised in Statement of Profit and Loss immediately, together with any changes in the fair value of the hedged item that are attributable to the hedged risk. The change in the fair value of the designated portion of hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in Statement of Profit and Loss in the line item relating to the hedged item.

Hedge accounting is discontinued when the hedging instrument expires, or terminated, or exercised, or when it no longer qualifies for hedge accounting.

- (iii) Derivatives, other than those designated under hedge relationship, are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in Statement of Profit and Loss.



### 3.4 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instruments.

On initial recognition, financial assets and financial liabilities are recognised at fair value plus/ minus transaction cost that is attributable to the acquisition or issue of financial assets and financial liabilities. In case of financial assets and financial liabilities which are recognised at fair value through profit and loss (FVTPL), it's transaction costs is recognised in Statement of Profit and Loss.

#### 3.4.1 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

After initial recognition, financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

##### (i) Classification and Measurement of Financial assets (other than Equity instruments)

###### a) Financial assets at Amortised Cost:

Financial assets that meet the following conditions are subsequently measured at amortised cost using Effective Interest Rate method (EIR):

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding.

###### Effective Interest Rate (EIR) method

The effective interest rate method is a method of calculating the amortised cost of financial asset and of allocating interest income over the expected life. The company while applying EIR method, generally amortises any fees, points paid or received, transaction costs and other premiums or discount that are integral part of the effective interest rate of a financial instrument.

Income is recognised in the Statement of Profit and Loss on an effective interest rate basis for financial assets other than those classified as at FVTPL.

EIR is determined at the initial recognition of the financial asset. EIR is subsequently updated at every reset, in accordance with the terms of the respective contract.

Once the terms of financial assets are renegotiated, other than market driven interest rate movement, any gain /loss measured using the previous EIR as calculated before the modification, is recognised in the Statement of Profit and Loss in period during which such renegotiations occur.

###### b) Financial assets at Fair Value through Other Comprehensive Income (FVTOCI)

A financial asset is measured at FVTOCI if both the following conditions are met:

- The objective of the business model is achieved both by collecting contractual cash flows and selling the financial asset; and
- the contractual terms of the asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding.

All fair value changes are recognised in Other Comprehensive Income (OCI) and accumulated in Reserve.

###### c) Financial assets at fair value through profit or loss (FVTPL)

A financial asset is measured at FVTPL unless it is measured at amortised cost or FVTOCI, with all changes in fair value recognised in Statement of Profit and Loss.

##### (ii) Classification and measurement of Equity Instruments

All equity investments other than in subsidiaries, joint ventures and associates are measured at fair value. Equity instruments which are held for trading are classified as at FVTPL. For all other equity instruments, the Company at initial recognition makes an irrevocable election to classify it as either FVTOCI or FVTPL. The Company makes such election on an instrument by instrument basis.

An equity investment classified as FVTOCI is initially measured at fair value plus transaction costs. Subsequently, it is measured at fair value and, all fair value changes are recognised in Other Comprehensive Income (OCI) and accumulated in Reserve. There is no recycling of the amounts from OCI to Statement of Profit and Loss, even on sale of investment. However, the Company transfers the same within equity.