

**Movement in net defined benefit (asset)/ liability**

(₹ in crore)

| Particulars   | Defined Benefit Obligation |              | Fair Value of Plan Assets |              | Net Defined Benefit (Asset)/ Liability |             |
|---|----------------------------|--------------|---------------------------|--------------|--|-------------|
|   | For the year ended         |              | For the year ended        |              | For the year ended                     |             |
|   | 31.03.2019                 | 31.03.2018   | 31.03.2019                | 31.03.2018   | 31.03.2019                             | 31.03.2018  |
| <b>Opening Balance</b>  | <b>27.81</b>               | <b>21.82</b> | <b>22.20</b>              | <b>18.15</b> | <b>5.61</b>                            | <b>3.67</b> |
| <b>Included in profit or loss</b>                                   |                            |              |                           |              |  |             |
| Current service Cost  | 1.34                       | 1.02         | -                         | -            | 1.34                                   | 1.02        |
| Past service cost   | -                          | -            | -                         | -            | -                                      | -           |
| Interest cost / income  | 2.19                       | 1.64         | 1.75                      | 1.45         | 0.44                                   | 0.19        |
| <b>Total amount recognised in profit or loss</b>                    | <b>3.53</b>                | <b>2.66</b>  | <b>1.75</b>               | <b>1.45</b>  | <b>1.78</b>                            | <b>1.21</b> |
| <b>Included in OCI</b>  |                            |              |                           |              |  |             |
| Re-measurement loss/ (gain)   |                            |              |                           |              |  |             |
| Actuarial loss (gain) arising from changes in financial assumptions | 0.47                       | (0.44)       | -                         | -            | 0.47                                   | (0.44)      |
| Actuarial loss (gain) arising from experience adjustment            | 4.39                       | 6.46         | -                         | -            | 4.39                                   | 6.46        |
| Effect of change in demographic assumptions                         | 0.44                       | (0.33)       | -                         | -            | 0.44                                   | (0.33)      |
| Return on plan assets excluding interest income                     | -                          | -            | 0.09                      | 0.24         | (0.09)                                 | (0.24)      |
| <b>Total amount recognised in OCI</b>                               | <b>5.30</b>                | <b>5.69</b>  | <b>0.09</b>               | <b>0.24</b>  | <b>5.21</b>                            | <b>5.45</b> |
| Contribution by participants  | -                          | -            | 0.04                      | 0.03         | (0.04)                                 | (0.03)      |
| Contribution by employer  | -                          | -            | 6.53                      | 4.04         | (6.53)                                 | (4.04)      |
| Benefits paid   | (1.50)                     | (2.36)       | (2.10)                    | (1.71)       | 0.60                                   | (0.65)      |
| <b>Closing Balance</b>  | <b>35.14</b>               | <b>27.81</b> | <b>28.51</b>              | <b>22.20</b> | <b>6.63</b>                            | <b>5.61</b> |

**(c) Economic Rehabilitation Scheme**

The Company has an Economic Rehabilitation Scheme (ERS) to provide monetary benefit in case of permanent disability/ death of an employee. This scheme is unfunded and the liability is determined based on actuarial valuation.

(₹ in crore)

| Particulars                | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|----------------------------|------------------|------------------|------------------|
| Defined benefit obligation | 1.69             | 1.67             | 1.63             |

**Movement in defined benefit obligation**

(₹ in crore)

| Particulars   | Defined Benefit Obligation for the year ended |               |
|---|---|---------------|
|   | 31.03.2019                                    | 31.03.2018    |
| <b>Opening Balance</b>  | <b>1.67</b>                                   | <b>1.63</b>   |
| <b>Included in profit or loss</b>                                   |   |               |
| Current service Cost  | 0.34  | 0.37          |
| Past service cost   | -   | -             |
| Interest cost / income  | 0.14  | 0.13          |
| <b>Total amount recognised in profit or loss</b>                    | <b>0.48</b>                                   | <b>0.50</b>   |
| <b>Included in OCI</b>  |   |               |
| Actuarial loss (gain) arising from changes in financial assumptions | -   | (0.02)        |
| Actuarial loss (gain) arising from Experience adjustment            | (0.38)  | (0.31)        |
| Effect of change in demographic assumptions                         | -   | (0.05)        |
| Return on plan assets excluding interest income                     | -   | -             |
| <b>Total amount recognised in OCI</b>                               | <b>(0.38)</b>                                 | <b>(0.38)</b> |
| Contribution by participants  | -   | -             |
| Contribution by employers   | -   | -             |
| Benefits paid   | (0.08)  | (0.08)        |
| <b>Closing Balance</b>  | <b>1.69</b>                                   | <b>1.67</b>   |

**(d) Risk exposure**

Through its defined benefit plans, the Company is exposed to a number of risks, the most significant of which are detailed below:

**i. Asset volatility**

Most of the plan asset investments are in government securities, other fixed income securities with high grades and mutual funds. The fair value of these assets is subject to volatility due to change in interest rates and other market & macro-economic factors.

**ii. Changes in discount rate**

The present value of defined benefit plan liabilities is calculated using a discount rate which is determined by reference to market yields at the end of the reporting period. A decrease in discount rate will increase present values of plan liabilities, although this will be partially offset by an increase in the value of the plans' investments.

**iii. Longevity risk**

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

**iv. Salary risk**

The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

**(e) Plan Assets**

The value of plan assets at the end of reporting period for each category, are as follows:

(₹ in crore)

| Particulars                               | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|------------------|------------------|------------------|
| Cash & Cash Equivalents                   | 0.41             | 0.60             | 0.16             |
| State/ Central Government Debt Securities | 28.67            | 24.22            | 20.93            |
| Corporate Bonds/ Debentures               | 22.61            | 19.12            | 16.68            |
| Others                                    | 1.40             | 1.31             | 1.28             |
| <b>Total</b>                              | <b>53.09</b>     | <b>45.25</b>     | <b>39.05</b>     |

- As at 31.03.2019, an amount of ₹ 0.60 crore (as at 31.03.2018 ₹ 0.60 crore and as at 01.04.2017 ₹ 0.60 crore) is included in the value of plan assets (in respect of the Company's own financial instruments (corporate bonds)).
- Actual return on plan assets is ₹ 3.86 crore (previous year ₹ 3.57 crore).

**(f) Significant Actuarial Assumptions**

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out as at 31.03.2019 by Trans Value Consultants. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method. The principal assumptions used for actuarial valuation are:-

(₹ in crore)

| Particulars            | As at 31.03.2019               | As at 31.03.2018               | As at 01.04.2017               |
|------------------------|--------------------------------|--------------------------------|--------------------------------|
| Discount Rate          | 7.81%                          | 7.87%                          | 7.50%                          |
| Salary Escalation Rate | 6.00%                          | 6.00%                          | 6.00%                          |
| Mortality Rate         | As per IALM (2012-14) Ultimate | As per IALM (2006-08) Ultimate | As per IALM (2006-08) Ultimate |

**(g) Sensitivity Analysis**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

(₹ in crore)

| Particulars                             | As at 31.03.2019 |          | As at 31.03.2018 |          | As at 01.04.2017 |          |
|---|------------------|----------|------------------|----------|------------------|----------|
|   | Increase         | decrease | Increase         | decrease | Increase         | decrease |
| Discount rate (0.50% movement)          |                  |          |                  |          |                  |          |
| - Gratuity                              | (0.99)           | 1.05     | (0.92)           | 0.98     | (0.82)           | 0.92     |
| - PRMS                                  | (2.67)           | 3.00     | (2.11)           | 2.38     | (1.66)           | 1.86     |
| - ERS                                   | (0.06)           | 0.07     | (0.06)           | 0.07     | (0.06)           | 0.07     |
| Salary Escalation Rate (0.50% movement) |                  |          |                  |          |                  |          |
| - Gratuity                              | 0.25             | (0.20)   | 0.21             | (0.15)   | 0.16             | (0.14)   |
| - PRMS                                  | 2.87             | (2.64)   | 2.27             | (2.09)   | 1.78             | (1.64)   |
| - ERS                                   | 0.06             | (0.05)   | 0.06             | (0.05)   | 0.06             | (0.05)   |

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

The Company actively monitors how the duration and expected yield of investments are matching the expected cash outflows arising from employee benefit obligations. Investments are well diversified, such that the failure of any single investment would not have a material impact on overall level of assets. There has been no change in the process used by the Company to manage its risks from prior periods.

**(a) Expected maturity analysis of the defined benefit plans in future years**

(₹ in crore)

|                         | Up to 1 year | 1 to 5 years | Over 5 years | Total         |
|-------------------------|--------------|--------------|--------------|---------------|
| <b>As at 31.03.2019</b> |              |              |              |               |
| Gratuity                | 1.45         | 9.96         | 48.01        | 59.42         |
| PRMS                    | 1.48         | 10.16        | 41.39        | 53.03         |
| ERS                     | 0.19         | 0.82         | 2.59         | 3.60          |
| <b>Total</b>            | <b>3.12</b>  | <b>20.94</b> | <b>91.99</b> | <b>116.05</b> |
| <b>As at 31.03.2018</b> |              |              |              |               |
| Gratuity                | 1.18         | 10.67        | 44.63        | 56.48         |
| PRMS                    | 1.23         | 8.45         | 34.40        | 44.08         |
| ERS                     | 0.18         | 0.78         | 2.47         | 3.43          |
| <b>Total</b>            | <b>2.59</b>  | <b>19.90</b> | <b>81.50</b> | <b>103.99</b> |

| As at 01.04.2017 |             |              |              |              |
|------------------|-------------|--------------|--------------|--------------|
| Gratuity         | 1.39        | 6.14         | 24.43        | 31.96        |
| PRMS             | 0.94        | 6.46         | 26.30        | 33.70        |
| ERS              | 0.13        | 0.59         | 1.86         | 2.58         |
| <b>Total</b>     | <b>2.46</b> | <b>13.19</b> | <b>52.59</b> | <b>68.24</b> |

The table above is drawn on the basis of expected cash flows.

- (a) Expected contributions to post-employment benefit plans for the year ending 31.03.2020 are ₹ 10.94 crore.
- (b) The weighted average duration of the defined benefit plan obligation at the end of the reporting period is 16.98 years (as at 31.03.2018: 18.36 years, as at 01.04.2017: 19.01 years).

### 34.3 Other long term employee benefits

#### (a) Leave

The Company provides for earned leave benefit and half-pay leave benefit to the credit of the employees, which accrues on half-yearly basis at 15 days and 10 days respectively. A maximum of 300 days of earned leave can be accumulated at any point of time during the service. There is no limit for accumulation of half pay leave. On separation after 10 years of service or on superannuation, earned leave plus half pay leave together can be encashed subject to a maximum of 300 days. However, there is no restriction on the number of years of service for encashment of earned leave on separation from the service. Provision based on actuarial valuation amounting to ₹ 10.14 crore (previous year ₹ 9.56 crore) for the year has been made at the year end and debited to the standalone statement of profit and loss.

#### (b) Others employee benefits

Provision for settlement allowance and long service awards amounting to ₹ 2.07 crore for the year (previous year ₹ 0.87 crore) has been made on the basis of actuarial valuation and debited to the standalone statement of profit and loss.

34.4 Employee benefits (viz. Gratuity, PRMS, Terminal Benefits, Leave encashment and other employee benefits) in respect of Company's employees working in its wholly-owned subsidiaries on deputation / secondment basis, are being allocated based on a fixed percentage of employee cost.

### 35 Disclosure as per Ind AS 12 "Income Taxes"

35.1 Income tax recognised in Standalone Statement of Profit and Loss:

(₹ in crore)

| Particulars  | FY 2018-19      | FY 2017-18      |
|--|-----------------|-----------------|
| <b>Current Tax expense in relation to:</b>   |                 |                 |
| Current Year   | 2346.50         | 2,434.68        |
| Adjustment of earlier years  | 1.22            | (1.07)          |
| <b>Total Current Tax Expense</b>   | <b>2,347.72</b> | <b>2,433.61</b> |
| <b>Deferred Tax Expense</b>  |                 |                 |
| Origination and reversal of temporary differences  | 515.15          | 52.41           |
| Previously unrecognized tax loss, tax credit or temporary difference of a prior period (used to reduce deferred tax expense) | -               | (1,027.68)      |
| <b>Total Deferred Tax Expense</b>  | <b>515.15</b>   | <b>(975.27)</b> |
| <b>Total Income Tax Expense</b>  | <b>2,862.87</b> | <b>1,458.34</b> |

### 35.2 Reconciliation of tax expense and accounting profit

| Particulars   | FY 2018-19      | FY 2017-18      |
|---|-----------------|-----------------|
| <b>Profit before Tax</b>  | <b>9,815.79</b> | <b>5,845.11</b> |
| <b>Tax using the Company's domestic tax rate of 34.944% (34.608 % for FY 2017-18)</b> | <b>3,430.03</b> | <b>2,022.88</b> |
| Tax effect of:  |                 |                 |
| Non-deductible tax expenses   | 39.90           | 43.56           |
| Tax exempt income   | (58.37)         | (50.61)         |
| Deduction u/s 36(1)(viii)   | (551.39)        | (552.02)        |
| Others  | 1.48            | (13.78)         |
| Previous year tax liability   | 1.22            | (1.07)          |
| Change in tax rate  | -               | 9.38            |
| <b>Total tax expenses in the Standalone Statement of Profit and Loss</b>              | <b>2,862.87</b> | <b>1,458.34</b> |

35.3 Applicable tax rate has increased from 34.608% to 34.944% in the current financial year due to increase in Education Cess rate from 3% to 4%.

35.4 Deductible temporary differences / unused tax losses / unused tax credits carried forward

(₹ in crore)

| Particulars   | As at<br>31.03.2019 | Expiry<br>date           | As at<br>31.03.2018 | Expiry<br>date           |
|---|---------------------|--------------------------|---------------------|--------------------------|
| Deductible temporary differences / unused tax losses / unused tax credits for which no deferred tax asset has been recognised | 1.25<br>2.54        | 31.03.2024<br>31.03.2025 | 1.25<br>2.54        | 31.03.2024<br>31.03.2025 |

35.5 The Company has recognised Deferred Tax Asset on amount of accumulated Impairment loss allowance in excess of Reserve for Bad & Doubtful Debts (RBDD). Suitable adjustment has also been made on the transition date and in the comparative results.

35.6 Movement in Deferred Tax balances:

FY 2018-19

(₹ in crore)

| Description   | Net balance at<br>01.04.2018 | Recognised in<br>Profit or Loss | Recognised<br>in OCI | Others | Net balance at<br>31.03.2019 |
|---|------------------------------|---------------------------------|----------------------|--------|------------------------------|
| <b>(A) Deferred Tax Asset (+)</b>   |                              |                                 |                      |        |                              |
| (i) Provision for expenses deductible on payment basis under Income Tax Act | 15.35                        | 9.73                            | 1.69                 |        | 26.77                        |
| (ii) Unamortised income on loans to borrowers                               | 64.28                        | (0.25)                          |                      |        | 64.03                        |
| (iii) Impairment allowance on Financial instruments in excess of RBDD       | 4,843.90                     | (427.73)                        |                      |        | 4,416.17                     |
| (iv) Depreciation and amortization  | 0.49                         | 0.49                            |                      |        | 0.98                         |
| (v) Fair value of derivatives (Net)   | 1.64                         | 2.99                            | 26.93                |        | 31.56                        |
| <b>(B) Deferred Tax Liabilities (-)</b>                                     |                              |                                 |                      |        |                              |
| (i) Lease income  | (66.64)                      | -                               |                      |        | (66.64)                      |
| (ii) Unamortized Exchange Loss (Net)  | (135.61)                     | (135.58)                        |                      |        | (271.19)                     |
| (iii) Unamortized expenditure on loan liabilities                           | (102.17)                     | 3.52                            |                      |        | (98.65)                      |
| (iv) Others   | (73.98)                      | 31.68                           |                      |        | (42.30)                      |
| <b>Net Deferred Tax liabilities (-) /Assets (+)</b>                         | <b>4,547.26</b>              | <b>(515.15)</b>                 | <b>28.62</b>         |        | <b>4060.73</b>               |

FY 2017-18

(₹ in crore)

| Description   | Net balance at<br>01.04.2017 | Recognised in<br>Profit or Loss | Recognised<br>in OCI | Others | Net balance at<br>31.03.2018 |
|---|------------------------------|---------------------------------|----------------------|--------|------------------------------|
| <b>(A) Deferred Tax Asset (+)</b>   |                              |                                 |                      |        |                              |
| (i) Provision for expenses deductible on payment basis under Income Tax Act | 17.34                        | (3.77)                          | 1.78                 |        | 15.35                        |
| (ii) Unamortised income on loans to borrowers                               | 49.38                        | 14.90                           | -                    |        | 64.28                        |
| (iii) Impairment allowance on Financial instruments in excess of RBDD       | 4,098.92                     | 744.98                          | -                    |        | 4,843.90                     |
| (iv) Depreciation and amortization  | (0.05)                       | 0.54                            | -                    |        | 0.49                         |
| (v) Fair value of derivatives (Net)   | (77.33)                      | 78.97                           | -                    |        | 1.64                         |
| <b>(B) Deferred Tax Liabilities (-)</b>                                     |                              |                                 |                      |        |                              |
| (i) Lease income  | (66.00)                      | (0.64)                          | -                    |        | (66.64)                      |
| (ii) Unamortized Exchange Loss (Net)  | (100.76)                     | (34.85)                         | -                    |        | (135.61)                     |
| (iii) Unamortized expenditure on loan liabilities                           | (68.90)                      | (33.27)                         | -                    |        | (102.17)                     |
| (iv) Others   | (282.39)                     | 208.41                          | -                    |        | (73.98)                      |
| <b>Net Deferred Tax liabilities (-) /Assets (+)</b>                         | <b>3,570.22</b>              | <b>975.27</b>                   | <b>1.78</b>          |        | <b>4,547.26</b>              |

### 36 Dividend income

(₹ in crore)

| Particulars  | FY 2018-19    | FY 2017-18    |
|--|---------------|---------------|
| Dividend on equity investments designated at FVTOCI        | 47.42         | 58.75         |
| - Investments held at the end of the year                  |               |               |
| - Investments derecognized during the year                 | 0.56          | -             |
| <b>Sub-Total</b>   | <b>47.98</b>  | <b>58.75</b>  |
| Dividend on equity investments at cost (Subsidiaries, JVs) | 110.66        | 80.85         |
| Dividend on mutual funds                                   | 8.39          | 6.63          |
| <b>Total</b>   | <b>167.03</b> | <b>146.23</b> |

### 37 Net Translation/Transaction Exchange Loss (+)/Gain (-)

(₹ in crore)

| Net Translation/Transaction Exchange Loss (+)/Gain (-) on account of | FY 2018-19    | FY 2017-18    |
|--|---------------|---------------|
| - Translation of LTFCMI recognised on or after 01.04.2018            | (42.87)       | -             |
| - Amortisation of FCMIT created on LTFCMI recognised upto 31.03.2018 | 563.10        | 213.10        |
| <b>Total</b>   | <b>520.23</b> | <b>213.10</b> |

### 38 Corporate Social Responsibility

38.1 Details of gross amount required to be spent on CSR activities by the Company during the year:

(₹ in crore)

| Particulars   | FY 2018-19 | FY 2017-18 |
|---|------------|------------|
| Amount required to be spent on CSR activities as per Section 135 (5) of Companies Act, 2013 | 148.15     | 149.91     |
| Carry forward from previous year  | 131.23     | 100.20     |
| Gross amount required to be spent   | 279.38     | 250.11     |
| Amount spent during the year  | 100.50     | 118.88     |
| Unspent amount  | 178.88     | 131.23     |

38.2 Amount spent during the year on CSR activities:

(₹ in crore)

| S. No. | Particulars   | FY 2018-19      |                |               | FY 2017-18      |                |               |
|--------|---|-----------------|----------------|---------------|-----------------|----------------|---------------|
|        |   | Paid or Settled | Yet to be paid | Total         | Paid or Settled | Yet to be paid | Total         |
| (i)    | Construction / acquisition of any assets  |                 |                |               | -               | -              | -             |
| (ii)   | On purposes other than (i) above  |                 |                |               |                 |                |               |
| (iia)  | Sanitation / Waste Management / Drinking water  | 8.18            | -              | 8.18          | 60.94           | -              | 60.94         |
| (iib)  | Education / Vocational Skill development  | 16.94           | -              | 16.94         | 26.45           | -              | 26.45         |
| (iic)  | Environmental Sustainability (Solar Applications / Afforestation / Energy efficient LED lighting)                             | 17.89           | -              | 17.89         | 27.15           | -              | 27.15         |
| (iid)  | Sports  | -               | -              | -             | -               | -              | -             |
| (iie)  | Others  | 52.20           | -              | 52.20         | 2.18            | -              | 2.18          |
| (iif)  | Administrative overheads including training, impact assessment etc. limited to 5% of total amount required to be spent on CSR | 5.29            | -              | 5.29          | 2.16            | -              | 2.16          |
|        | <b>Total</b>  | <b>100.50</b>   | <b>-</b>       | <b>100.50</b> | <b>118.88</b>   | <b>-</b>       | <b>118.88</b> |

38.3 Details of related party transactions w.r.t. CSR activities as per Indian Accounting Standard (Ind AS) 24, Related Party Disclosures: Nil (Previous year: Nil).

### 39 Contingent Liabilities and Commitments:

(₹ in crore)

| S. No. | Description  | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|--------|--|------------------|------------------|------------------|
|        | <b>Contingent Liabilities</b>  |                  |                  |                  |
| (i)    | Guarantees <sup>#</sup>  | 117.39           | 153.75           | 190.11           |
| (ii)   | Claims against the Company not acknowledged as debts   |                  |                  |                  |
| (iii)  | Outstanding disbursement commitments to the borrowers by way of Letter of Comfort against loans sanctioned   | 1,019.06         | 1,694.60         | 1,640.56         |
| (iv)   | (a) Additional demands raised by the Income Tax Department of earlier years which are being contested*.  | 62.23            | 85.87            | 40.53            |
|        | (b) Further, the Income Tax Department has filed appeals against the relief allowed by appellate authorities to the Company. The same are also being contested.                              | 203.00           | 165.39           | 165.39           |
| (v)    | (a) Service Tax demand or show cause notices raised by Service Tax Department in respect of earlier years which are being contested.   | 1.04             | 1.04             | 23.51            |
|        | (b) Further, the Service Tax Department has filed appeals before CESTAT against the order of Commissioner (CE&ST) who had dropped a demand of service tax. The same is also being contested. | 21.53            | 1.11             | 1.11             |
|        | <b>Commitments</b>   |                  |                  |                  |
| (i)    | Estimated amount of contracts remaining to be executed on capital account and not provided for   | 430.40           | 473.77           | -                |
| (ii)   | Other Commitments –CSR unspent amount  | 178.88           | 131.23           | 100.20           |
|        | <b>Total</b>   | <b>2,033.53</b>  | <b>2,706.76</b>  | <b>2,161.41</b>  |

<sup>#</sup> Default payment guarantee given by the Company in favour of a borrower company. The amount paid /payable against this guarantee is reimbursable by Government of Madhya Pradesh.

\* Out of the said demands, as at 31.03.2019 an amount of ₹ 59.90 crore (As at 31.03.2018 ₹ 5.01 crore and as at 01.04.2017 ₹ 40.53 crore) has already been deposited/ adjusted against refund of other assessment years.

40 There are no Micro and Small Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at 31.03.2019 (Nil as at 31.03.2018 and 01.04.2017). This has been determined to the extent the status of such parties could be identified on the basis of information available with the Company.

### 41 Disclosure as per Ind AS 33 "Earnings per Share"

| Description  | FY 2018-19     | FY 2017-18     |
|--|----------------|----------------|
| Profit after tax used as numerator (₹ in crore)                        | 6,952.92       | 4,386.77       |
| Weighted average number of equity shares used as denominator (basic)   | 2,64,00,81,408 | 2,64,00,81,408 |
| Weighted average number of equity shares used as denominator (diluted) | 2,64,00,81,408 | 2,64,00,81,408 |
| Earning per equity share, face value ₹ 10 each (basic) (₹)             | 26.34          | 16.62          |
| Earning per equity share, face value ₹ 10 each (diluted) (₹)           | 26.34          | 16.62          |

### 42 The status of dividend on equity shares of face value of ₹ 10 each is as under:

| Particulars             | FY 2018-19        |                      |                     | FY 2017-18        |                      |                     |
|-------------------------|-------------------|----------------------|---------------------|-------------------|----------------------|---------------------|
|                         | %of share capital | Per equity share (₹) | Amount (₹ in crore) | %of share capital | Per equity share (₹) | Amount (₹ in crore) |
| First Interim dividend  | -                 | -                    | -                   | 60%               | 6.00                 | 1,584.05            |
| Second Interim dividend | -                 | -                    | -                   | 18%               | 1.80                 | 475.21              |
| <b>Total Dividend</b>   |                   |                      |                     | <b>78%</b>        | <b>7.80</b>          | <b>2,059.26</b>     |



### 43 Reconciliations for First Time Adoption of Ind AS

#### 43.1 Reconciliation of Total Equity as at 31.03.2018 and 01.04.2017

(₹ in crore)

| Particulars   | Note | As at<br>31.03.2018 | As at<br>01.04.2017 |
|---|------|---------------------|---------------------|
| <b>Total equity (shareholder's funds) as reported under Previous GAAP</b>                       |      | <b>39,860.67</b>    | <b>36,470.21</b>    |
| Adjustment due to business combination  | 10.5 | 114.73              | 83.76               |
| <b>Adjustments related to</b>   |      |                     |                     |
| Effective Interest Rate (EIR) / Income on loans classified at Amortised Cost                    | (a)  | (85.77)             | 384.68              |
| Effective Interest Rate (EIR) on Borrowings classified at Amortised Cost                        | (b)  | 125.72              | 199.12              |
| Derivatives (Forward contracts earlier governed through AS 11)                                  | (g)  | 236.77              | 366.90              |
| Impairment Loss Allowance   | (e)  | (8,393.91)          | (6,568.97)          |
| Equity instruments measured at fair value through Other Comprehensive Income                    | (d)  | (105.47)            | 225.77              |
| Others  |      | 355.25              | 442.92              |
| Deferred Tax Impact (DTA / DTL) on above  | (f)  | 4.25                | (278.24)            |
| DTA on amount of accumulated Impairment allowance in excess of Reserve for Bad & Doubtful Debts |      | 4,843.91            | 4,098.93            |
| <b>Total of adjustments</b>   |      | <b>(2,904.52)</b>   | <b>(1,045.13)</b>   |
| <b>Total equity (shareholder's funds) as reported under Ind AS</b>                              |      | <b>36,956.15</b>    | <b>35,425.08</b>    |

#### 43.2 Reconciliation of Total Comprehensive Income for the year ended 31.03.2018

(₹ in crore)

| Particulars   | Note | For the year ended<br>31.03.2018 |
|---|------|----------------------------------|
| <b>Profit for the year as reported under Previous GAAP</b>                                      |      | <b>5,855.22</b>                  |
| Adjustment due to business combination  | 10.5 | 30.95                            |
| <b>Adjustments related to:</b>  |      |                                  |
| Effective Interest Rate (EIR) / Income on loans classified at Amortised Cost                    | (a)  | (470.45)                         |
| Effective Interest Rate (EIR) on Borrowings classified at Amortised Cost                        | (b)  | (73.39)                          |
| Derivatives (Forward contracts earlier governed through AS 11)                                  | (g)  | (64.27)                          |
| Impairment on Financial Instruments   | (e)  | (1,824.94)                       |
| Others  |      | (92.02)                          |
| Deferred Tax Impact (DTA / DTL) on above  | (f)  | 280.69                           |
| DTA on amount of accumulated Impairment allowance in excess of Reserve for Bad & Doubtful Debts | 35.5 | 744.98                           |
| <b>Total of adjustments</b>   |      | <b>(1,468.45)</b>                |
| <b>Net profit after tax as per Ind AS</b>   |      | <b>4,386.77</b>                  |
| Re-measurement of defined benefit plans   | (h)  | 7.50                             |
| Net Gain / (Loss) on Fair Value of Equity Instruments   | (d)  | (331.24)                         |
| <b>Total comprehensive income (net of tax) as per Ind AS</b>                                    |      | <b>4,063.03</b>                  |



43.3 Effect of Ind AS adoption on the balance sheet as at March 31, 2018 and April 1, 2017

(₹ in crore)

| Particulars   | Note No. | As at 31.03.2018   |  |                       |                    | As at 01.04.2017   |  |                       |                    |
|---|----------|--------------------|--|-----------------------|--------------------|--------------------|--|-----------------------|--------------------|
|   |          | Previous GAAP      | Adjustment due to Business Combination | Adjustment for Ind AS | Ind AS             | Previous GAAP      | Adjustment due to Business Combination | Adjustment for Ind AS | Ind AS             |
| <b>ASSETS</b>   |          |                    |  |                       |                    |                    |  |                       |                    |
| Financial Assets  |          |                    |  |                       |                    |                    |  |                       |                    |
| Cash and Cash Equivalents                                     |          | 537.71             | -                                      | -                     | 537.71             | 3,114.74           | 0.01                                   | (3,071.88)            | 42.87              |
| Bank Balance other than included in Cash and Cash Equivalents |          | 15.49              | -                                      | -                     | 15.49              | 458.41             | -                                      | 3,071.88              | 3,530.29           |
| Derivative Financial Instruments                              | (g)      | 152.51             | -                                      | 76.58                 | 229.09             | 299.87             | -                                      | -                     | 299.87             |
| Loans   | (a), (e) | 274,102.11         | 414.08                                 | (8,504.81)            | 266,011.38         | 241,115.00         | 383.85                                 | (6,410.10)            | 235,088.75         |
| Investments   | (d)      | 2,360.17           | (300.00)                               | 459.87                | 2,520.04           | 3,633.00           | (300.00)                               | 537.38                | 3,870.38           |
| Other Financial Assets  |          | 5,311.13           | (0.12)                                 | (34.10)               | 5,276.91           | 5,297.93           | (0.11)                                 | (48.39)               | 5,249.43           |
| <b>Total Financial Assets (1)</b>                             |          | <b>2,82,479.12</b> | <b>113.96</b>                          | <b>(8,002.46)</b>     | <b>274,590.62</b>  | <b>2,53,918.95</b> | <b>83.75</b>                           | <b>(5,921.11)</b>     | <b>2,48,081.59</b> |
| <b>Non-Financial Assets</b>                                   |          |                    |  |                       |                    |                    |  |                       |                    |
| Current Tax Assets (Net)                                      |          | 507.07             | 1.05                                   | -                     | 508.12             | 228.01             | 118.23                                 | -                     | 346.24             |
| Deferred Tax Assets (Net)                                     | (f)      | (300.90)           | (0.01)                                 | 4,848.17              | 4,547.26           | (250.51)           | 0.04                                   | 3,820.69              | 3,570.22           |
| Property, Plant and Equipment                                 | (c)      | 63.94              | 0.01                                   | (37.87)               | 26.08              | 61.88              | -                                      | (37.87)               | 24.01              |
| Intangible Assets under development                           |          | -                  | -                                      | -                     | -                  | -                  | -                                      | -                     | -                  |
| Intangible Assets   |          | 0.89               | (0.00)                                 | -                     | 0.89               | 0.69               | (0.00)                                 | -                     | 0.69               |
| Other Non-Financial Assets                                    |          | 175.73             | 0.01                                   | 59.74                 | 235.48             | 949.57             | (0.02)                                 | 60.98                 | 1,010.53           |
| <b>Total Non-Financial Assets (2)</b>                         |          | <b>446.73</b>      | <b>1.06</b>                            | <b>4,870.04</b>       | <b>5,317.83</b>    | <b>989.64</b>      | <b>118.25</b>                          | <b>3,843.80</b>       | <b>4,951.69</b>    |
| <b>Total Assets (1+2)</b>                                     |          | <b>2,82,925.85</b> | <b>115.02</b>                          | <b>(3,132.42)</b>     | <b>279,908.45</b>  | <b>2,54,908.59</b> | <b>202.00</b>                          | <b>(2,077.31)</b>     | <b>2,53,033.28</b> |
| <b>LIABILITIES AND EQUITY</b>                                 |          |                    |  |                       |                    |                    |  |                       |                    |
| <b>LIABILITIES</b>  |          |                    |  |                       |                    |                    |  |                       |                    |
| Financial Liabilities   |          |                    |  |                       |                    |                    |  |                       |                    |
| Derivative Financial Instruments                              | (g)      | -                  | -                                      | 240.68                | 240.68             | -                  | -                                      | 68.41                 | 68.41              |
| Debt Securities   | (b)      | 206,896.30         | -                                      | (84.51)               | 206,811.79         | 194,530.69         | (0.00)                                 | (86.35)               | 194,444.34         |
| Borrowings (other than Debt Securities)                       | (b)      | 26,123.79          | -                                      | (43.62)               | 26,080.17          | 11,703.54          | (0.00)                                 | (111.78)              | 11,591.76          |
| Subordinated Liabilities                                      | (b)      | 3,893.59           | -                                      | (0.83)                | 3,892.76           | 3,893.60           | 0.00                                   | (0.96)                | 3,892.64           |
| Other Financial Liabilities                                   |          | 5,905.62           | 0.29                                   | (512.72)              | 5,393.19           | 8,052.56           | 0.27                                   | (794.31)              | 7,258.52           |
| <b>Total Financial Liabilities (1)</b>                        |          | <b>2,42,819.30</b> | <b>0.29</b>                            | <b>(401.00)</b>       | <b>2,42,418.59</b> | <b>2,18,180.39</b> | <b>0.27</b>                            | <b>(924.99)</b>       | <b>2,17,255.67</b> |
| <b>Non-Financial Liabilities</b>                              |          |                    |  |                       |                    |                    |  |                       |                    |
| Current Tax Liabilities (Net)                                 |          | 129.97             | -                                      | -                     | 129.97             | 12.57              | 117.86                                 | -                     | 130.43             |
| Provisions  | (h)      | 95.79              | -                                      | 195.38                | 291.17             | 158.15             | 0.10                                   | (94.59)               | 63.66              |
| Deferred Tax Liabilities (Net)                                | (f)      | -                  | -                                      | -                     | -                  | -                  | -                                      | -                     | -                  |
| Other Non-Financial Liabilities                               |          | 20.12              | -                                      | 92.45                 | 112.57             | 87.27              | 0.01                                   | 71.16                 | 158.44             |
| <b>Total Non-Financial Liabilities (2)</b>                    |          | <b>245.88</b>      | <b>-</b>                               | <b>287.83</b>         | <b>533.71</b>      | <b>257.99</b>      | <b>117.97</b>                          | <b>(23.43)</b>        | <b>352.53</b>      |
| <b>Total Liabilities (1+2)</b>                                |          | <b>2,43,065.18</b> | <b>0.29</b>                            | <b>(113.17)</b>       | <b>2,42,952.30</b> | <b>2,18,438.38</b> | <b>118.24</b>                          | <b>(948.42)</b>       | <b>2,17,608.20</b> |
| <b>Equity</b>   |          |                    |  |                       |                    |                    |  |                       |                    |
| Equity Share Capital  |          | 2,640.08           | 0.00                                   | -                     | 2,640.08           | 2,640.08           | 0.00                                   | -                     | 2,640.08           |
| Other Equity  |          | 37,220.59          | 114.73                                 | (3,019.25)            | 34,316.07          | 33,830.13          | 83.76                                  | (1,128.89)            | 32,785.00          |
| <b>Total Equity (3)</b>                                       |          | <b>39,860.67</b>   | <b>114.73</b>                          | <b>(3,019.25)</b>     | <b>36,956.15</b>   | <b>36,470.21</b>   | <b>83.76</b>                           | <b>(1,128.89)</b>     | <b>35,425.08</b>   |
| <b>Total Liabilities and Equity (1+2+3)</b>                   |          | <b>2,82,925.85</b> | <b>115.02</b>                          | <b>(3,132.42)</b>     | <b>2,79,908.45</b> | <b>2,54,908.59</b> | <b>202.00</b>                          | <b>(2,077.31)</b>     | <b>2,53,033.28</b> |

Previous GAAP figures have been reclassified to conform with Ind AS presentation requirements for the purpose of this note.

## 43.4 Effect of Ind AS adoption on Standalone Statement of Profit and Loss for the year ended 31.03.2018

(₹ in crore)

| Particulars   | Notes to first time adoption | Previous GAAP    | Adjustments due to business combination | Adjustments on transition to Ind AS | Ind AS           |
|---|------------------------------|------------------|---|-------------------------------------|------------------|
| <b>Revenue from Operations</b>  |                              |                  |   |                                     |                  |
| Interest Income   | (a)                          | 26,101.81        | 49.14                                   | (588.92)                            | 25,562.03        |
| Dividend Income   |                              | 146.23           | -                                       | -                                   | 146.23           |
| Fees and Commission Income  | (a)                          | 321.63           | 0.05                                    | (54.09)                             | 267.59           |
| <b>Total Revenue from Operations</b>  |                              | <b>26,569.67</b> | <b>49.19</b>                            | <b>(643.01)</b>                     | <b>25,975.85</b> |
| Other Income  |                              | 168.07           | -                                       | (163.67)                            | 4.40             |
| <b>Total Income</b>   |                              | <b>26,737.74</b> | <b>49.19</b>                            | <b>(806.68)</b>                     | <b>25,980.25</b> |
| <b>Expenses</b>   |                              |                  |   |                                     |                  |
| Finance Costs   | (b)                          | 16,856.83        | -                                       | 99.06                               | 16,955.89        |
| Net Translation / Transaction Exchange Loss (+) / Gain (-)  |                              | 243.70           | -                                       | (30.60)                             | 213.10           |
| Fees and Commission Expense   | (b)                          | 34.99            | -                                       | (26.41)                             | 8.58             |
| Net Loss on Fair Value changes  | (g)                          | 97.50            | -                                       | 95.69                               | 193.19           |
| Impairment on Financial Instruments   | (e)                          | 815.34           | 5.24                                    | 1570.43                             | 2,391.01         |
| Employee Benefit Expenses   | (h)                          | 166.77           | -                                       | 9.87                                | 176.64           |
| Depreciation and Amortisation   |                              | 6.41             | -                                       | -                                   | 6.41             |
| Corporate Social Responsibility Expenses  |                              | 118.18           | 0.70                                    | -                                   | 118.88           |
| Other Expenses  |                              | 71.07            | 0.03                                    | 0.34                                | 71.44            |
| <b>Total Expenses</b>   |                              | <b>18,410.79</b> | <b>5.97</b>                             | <b>1,718.38</b>                     | <b>20,135.14</b> |
| <b>Profit/(Loss) Before Tax</b>   |                              | <b>8,326.95</b>  | <b>43.22</b>                            | <b>(2,525.06)</b>                   | <b>5,845.11</b>  |
| <b>Tax Expense:</b>   |                              |                  |   |                                     |                  |
| (1) Current Year  |                              | 2,421.76         | 12.92                                   | -                                   | 2,434.68         |
| (2) Earlier Years   |                              | (0.42)           | (0.65)                                  | -                                   | (1.07)           |
| (3) Deferred Tax  | (f)                          | 50.39            | -                                       | (1,025.66)                          | (975.27)         |
| <b>Total Tax Expense</b>  |                              | <b>2,471.73</b>  | <b>12.27</b>                            | <b>(1,025.66)</b>                   | <b>1,458.34</b>  |
| <b>Profit/(Loss) for the Period (for continuing and discontinued operations)</b>  |                              | <b>5,855.22</b>  | <b>30.95</b>                            | <b>(1,499.40)</b>                   | <b>4,386.77</b>  |
| <b>Other Comprehensive Income / (Loss)</b>  |                              |                  |   |                                     |                  |
| <b>Items that will not be reclassified to Profit or Loss</b>  |                              |                  |   |                                     |                  |
| - Re-measurement of Defined Benefit Plans   | -                            | -                | -                                       | 5.72                                | 5.72             |
| - Net Gain / (Loss) on Fair Value of Equity Instruments   | (d)                          | -                | -                                       | (331.24)                            | (331.24)         |
| Income Tax relating to items that will not be reclassified to Profit or Loss  |                              |                  |   |                                     |                  |
| (Deferred Tax Expenses (+) / Credit (-))  |                              |                  |   |                                     |                  |
| - Re-measurement of Defined Benefit Plans   | -                            | -                | -                                       | 1.78                                | 1.78             |
| - Net Gain / (Loss) on Fair Value of Equity Instruments   | -                            | -                | -                                       | -                                   | -                |
| <b>Sub-Total (A)</b>  |                              | <b>-</b>         | <b>-</b>                                | <b>(323.74)</b>                     | <b>(323.74)</b>  |
| <b>Items that will be reclassified to Profit or Loss</b>  |                              |                  |   |                                     |                  |
| Effective Portion of Gains and (Loss) on Hedging Instruments in Cash Flow Hedge   |                              | -                | -                                       | -                                   | -                |
| Income Tax relating to items that will be reclassified to Profit or Loss  |                              |                  |   |                                     |                  |
| (Deferred Tax Expenses (+) / Credit (-))  |                              | -                | -                                       | -                                   | -                |
| <b>Sub-Total (B)</b>  |                              | <b>-</b>         | <b>-</b>                                | <b>-</b>                            | <b>-</b>         |
| <b>Other Comprehensive Income / (Loss) (A+B)</b>  | <b>-</b>                     | <b>-</b>         | <b>-</b>                                | <b>(323.74)</b>                     | <b>(323.74)</b>  |
| <b>Total Comprehensive Income for the period (Comprising Profit (Loss) and other Comprehensive Income for the period)</b> |                              | <b>5,855.22</b>  | <b>30.95</b>                            | <b>(1,823.14)</b>                   | <b>4,063.03</b>  |

Previous GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purpose of this note.

### 43.5 Notes to first time adoption

Explanation of major impact on adoption of Ind AS of the reported standalone financial statements of the Company as on the date of transition is as under:

(a) Loans and interest income

The Company's loans, satisfying the business model test of held to collect contractual cash flows and SPPI (Solely Payment of Principal and Interest) test as on transition date, have been measured at amortized cost using effective interest rate (EIR) method. These loans were measured at cost under previous GAAP.

This adjustment of retrospective application of EIR method, has resulted in the increase of Total Equity by ₹ 384.68 crore with a corresponding reduction in value of loans as on transition date. Subsequent to the transition date, the impact on Total Comprehensive Income (TCI) for the year ended 31.03.2018 is ₹ (470.45) crore and on total equity as on 31.03.2018 is ₹ (85.77) crore.

(b) Financial liabilities and interest expense

All financial liabilities except derivatives have been subsequently measured at Amortised Cost using the EIR method. The effect of the adjustments resulted in increase in Total Equity by ₹ 199.12 crore with corresponding reduction in the value of financial liabilities on transition date and by ₹ 125.72 crore as at 31.03.2018. Subsequent to the transition date, the impact on TCI for the year ended 31.03.2018 is ₹ (73.39) crore.

(c) Reclassification of leasehold land

Under Previous GAAP, upfront premium paid for leasehold land was recognised in "Fixed Assets" (termed as Property Plant and Equipment (PPE) under Ind AS). Under Ind AS, a lease where the substantial risks and rewards incidental to ownership are not transferred to the Company is classified as operating lease and is amortised over the remaining lease term. Consequently, leasehold land is reclassified from "Fixed Assets / PPE" to Prepaid Expense in Non- Financial Assets and is being amortized over the leasehold period.

This has resulted in decrease in total equity as at 01.04.2017 by ₹ 9.79 crore and as at 31.03.2018 by ₹ 0.34 crore.

(d) Investments

Under Ind AS, the Company has designated equity investments other than investments in subsidiaries / JVs / associates at Fair Value through Other Comprehensive Income (FVTOCI). The difference between the carrying amount and fair value as on transition date has been recognized in OCI reserve as at the date of transition and subsequently in Other Comprehensive Income.

This has resulted in increase in Total Equity by ₹225.77 crore with corresponding increase in value of investments in equity instruments as at the date of transition and decrease by ₹105.47 crore as at 31.03.2018.

(e) Impairment Loss Allowance

Under previous GAAP, the provision on loan assets was maintained as per RBI prudential norms / directions. However, under Ind AS framework, impairment loss allowance on loans is made using Expected Credit Loss (ECL) approach. This has resulted in the reduction in Total Equity by ₹6,568.97 crore as at the date of transition and ₹8,393.91 crore as at 31.03.2018. The impact on TCI for the year ended 31.03.2018 is ₹(1,824.94) crore.

(f) Deferred Taxes

Under previous GAAP, deferred tax accounting was done using the income statement approach. However, Ind AS requires the accounting of deferred taxes using the balance sheet approach, which includes identification of temporary differences based on the difference in carrying amount of an asset/ liability in the standalone balance sheet and its tax base. These differences have been suitably recognized in the standalone financial statements. These adjustments and the consequential impact due to the adoption of Ind AS have resulted in a decrease in the Total Equity by ₹ 278.24 crore as at 01.04.2017 and an increase in Total Equity by ₹ 4.25 crore as at 31.03.2018.

(g) Derivative Financial Instruments

Under previous GAAP, the derivative financial instruments in the nature of forward contracts were accounted for in accordance with AS 11 'The Effects of Changes in Foreign Exchange Rates' wherein the premium or discount component was amortised during the tenure of the contract. However under Ind AS, all derivative contracts are required to be fair valued at each reporting date in accordance with Ind AS 109 'Financial Instruments'. As a result, as on transition date, the Total Equity has increased by ₹ 366.90 crore and by ₹ 236.77 crore as on 31.03.2018. The impact on TCI for the year ended 31.03.2018 is ₹ (64.27) crore.

(h) Re-measurement of defined benefit plans

Both under previous GAAP and Ind-AS, the Company recognised costs related to its post-employment defined benefit plan on an actuarial basis. Under previous GAAP, the entire cost, including actuarial gains and losses, were charged to profit or loss. Under Ind-AS, re-measurement gain/ loss are recognised in Other Comprehensive Income.

As a result, profit for the year ended 31.03.2018 decreased by ₹ 7.50 crore (net of tax) with corresponding increase in other comprehensive income during the year.

**43.6 Impact of Ind AS adoption on the Statement of Cash Flows for the year ended 31.03.2018:**

(₹ in crore)

| Particulars  | Previous GAAP | Adjustments due to business combination | Adjustments on transition to Ind AS | Ind AS      |
|--|---------------|---|-------------------------------------|-------------|
| Net cash flow from operating activities                                | (27,528.34)   | (0.01)                                  | 2,819.97                            | (24,708.38) |
| Net cash flow from investing activities                                | 1,138.18      | -                                       | 289.60                              | 1,427.78    |
| Net cash flow from financing activities                                | 23,813.13     | -                                       | (37.68)                             | 23,775.45   |
| Net increase / (decrease) in cash and cash equivalents during the year | (2,577.03)    | (0.01)                                  | 3,071.88                            | 494.84      |
| Cash and cash equivalents at the beginning of the year                 | 3,114.74      | 0.01                                    | (3,071.88)                          | 42.87       |
| Cash and cash equivalent at the end of the year                        | 537.71        | 0.00                                    | 0.00                                | 537.71      |

The impact of transition to Ind AS is mainly due to the classification of Earmarked bank balances as 'Other Bank Balances' instead of 'Cash & Cash Equivalents'.

**44 Status of documentation subsequent to reorganization of the State of Andhra Pradesh**

Subsequent to the reorganization of erstwhile Andhra Pradesh, the State of Telangana has been formed on 02.06.2014. However the assets and liabilities are yet to be transferred to the respective Power Utility through a formal gazette notification.

Once the final transfer scheme is notified through Gazette Notification by Govt. duly indicating the transfer of assets and liabilities among the power utilities, action for execution of documentation formalities will be taken up in respect of all the outstanding loans with the new / name changed utilities. Till that time, the demand for payment of interest / principal is being segregated by the Utilities and the respective portions are being paid by Utilities in Telangana and Andhra Pradesh.

- 45** Company was creating impairment loss allowance, on Stage I and II loan assets at higher of Expected Credit Loss (ECL) as per Ind AS or as per RBI prudential norms. Now, the Company has aligned the impairment loss allowance on loan assets solely as per the requirement of Ind AS resulting in reduction of cumulative impairment loss allowance for the year ended 31.03.2019 and consequent increase in profit after tax by ₹ 268.61 crore.

**46 Exposures**

- 46.1** RBI has categorized the Company as an Infrastructure Finance Company (IFC) in terms of instructions contained in RBI Circular CC No.168 dated 12th February 2010. As an IFC, the total permissible exposure for lending in the private sector is 25% of owned funds in case of single borrower and 40% in case of a single group of borrowers and exposure for lending & investing taken together can be upto 30% and 50% of owned funds, respectively.

In respect of Central/State Government entities, RBI has exempted the Company from applicability of RBI's concentration of credit/investment norms till 31st March, 2022.

- 46.2** The Company does not have any exposure to real estate sector.

- 46.3** Exposure to Capital Market:

(₹ in crore)

| Sl. No. | Description   | Amount as at 31.03.2019 | Amount as at 31.03.2018 | Amount as at 01.04.2017 |
|---------|---|-------------------------|-------------------------|-------------------------|
| (i)     | Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt (includes investment in fully convertible preference shares); | 16,136.50               | 1,874.53                | 1,874.79                |
| (ii)    | Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;              | -                       | -                       | -                       |
| (iii)   | Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;   | -                       | -                       | -                       |

(₹ in crore)

| Sl. No. | Description   | Amount as at 31.03.2019 | Amount as at 31.03.2018 | Amount as at 31.03.2017 |
|---------|---|-------------------------|-------------------------|-------------------------|
| (iv)    | Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances (excluding loans where security creation is under process); | -                       | -                       | -                       |
| (v)     | Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;   | -                       | -                       | -                       |
| (vi)    | Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;   | 2,629.16                | 2,651.65                | 2,395.88                |
| (vii)   | Bridge loans to companies against expected equity flows / issues;   | -                       | -                       | -                       |
| (viii)  | All exposures to Venture Capital Funds (both registered and unregistered)   | 6.15                    | 6.15                    | 6.15                    |
|         | <b>Total Exposure to Capital Market</b>   | <b>18,771.81</b>        | <b>4,532.33</b>         | <b>4,276.82</b>         |

#### 46.4 Details of financing of parent company products:

The Company does not have a parent company.

#### 46.5 Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the Company:

The Company has not exceeded its prudential exposure limits against Single Borrower / Group Borrower Limits during FY 2018-19 and FY 2017-18.

#### 47 Asset Liability Management Maturity pattern of items of Assets and Liabilities :

(₹ in crore)

| Bucket as at 31.03.2019     | Deposits / Investments | Advances   | Domestic Borrowings | Foreign Currency Items |             |
|-----------------------------|------------------------|------------|---------------------|------------------------|-------------|
|                             |                        |            |                     | Assets                 | Liabilities |
| Upto 30/31 Days             | 14,133.64              | 4,955.46   | 21,785.18           | -                      | 696.50      |
| Over 1 Month upto 2 Months  | 1,833.07               | 1,928.13   | 4,915.00            | -                      | -           |
| Over 2 Months upto 3 Months | -                      | 1,264.76   | 7,495.20            | -                      | 2,080.35    |
| Over 3 Months upto 6 Months | -                      | 9,225.21   | 10,292.05           | -                      | -           |
| Over 6 Months upto 1 Year   | -                      | 16,559.51  | 19,088.10           | -                      | 3,468.40    |
| Over 1 Year & upto 3 Years  | -                      | 50,663.28  | 76,608.05           | -                      | 4,971.67    |
| Over 3 Years & upto 5 Years | -                      | 49,879.10  | 32,730.60           | -                      | 9,235.95    |
| Over 5 Years                | -                      | 165,146.63 | 87,160.38           | 23.84                  | 8,373.99    |

Note:- In the above table, the principal cash flows net of provision relating to Stage III assets have been considered in over 5 years bucket irrespective of the maturity date. Further, Bonds with put & call option have been shown considering the earliest exercise date. Further, the commercial papers and zero coupon bonds have been shown at the maturity value.

#### 48 NSE and BSE vide their letters dated 31.01.2019 have levied fine on the Company for non-compliance in regard to Regulation 17(1) i.e. Composition of Board of Directors and 19(1) i.e. Composition of Nomination & Remuneration Committee of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015.

The Company in its reply to NSE & BSE has stated that being a Central Public Sector Undertaking and in terms of Article 86 of Articles of Association of the Company, the Directors on the board of the Company are appointed by President of India through Ministry of Power, Government of India. The Company has taken up the matter with Ministry of Power to expedite the process of appointment of balance number of Independent Directors on the Board of the Company for compliance of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015.

## 49 Credit Ratings

49.1 Ratings assigned by credit rating agencies and migration of ratings during the year:

| Sl. 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+          |

No rating migration has taken place during the year.

49.2 Long term foreign currency issuer rating assigned to the Company as at 31.03.2019:

| Sl. No. | Rating Agency         | Rating | Outlook               |
|---------|-----------------------|--------|-----------------------|
| 1.      | Fitch Ratings         | BBB-   | Stable                |
| 2.      | Standard & Poor (S&P) | BBB-   | Negative <sup>#</sup> |
| 3.      | Moody's               | Baa3   | Stable                |

<sup>#</sup>As compared to previous year, only S&P has changed the outlook from Stable to Negative. But in April 2019, the outlook has been upgraded to Stable again.

## 50 Provisions, Contingencies and Impairment loss allowances

(₹ in crore)

| Description                                    | FY 2018-19 | FY 2017-18 |
|--|------------|------------|
| Impairment loss allowance towards loans        | (870.60)   | 2,215.12   |
| Impairment loss allowance on letter of comfort | (8.67)     | 189.78     |
| Impairment loss allowance on other receivables | 7.79       | (13.89)    |
| Provision made towards Income tax              | 2,347.72   | 2,433.61   |

## 51 Customer Complaints for FY 2018-19

No complaints have been received by the Company from their borrowers during the year ended 31.03.2019. (Previous year Nil).

## 52 Details of registrations obtained from regulators:

| S. No. | Regulator                         | Particulars                     | Registration Details  |
|--------|-----------------------------------|---------------------------------|-----------------------|
| 1.     | Ministry of Corporate Affairs     | Corporate Identification Number | L65910DL1986GOI024862 |
| 2.     | Reserve Bank of India             | Registration Number             | B- 14.00004           |
| 3.     | Legal Entity Identifier India Ltd | LEI Number                      | 3358003Q6D9LIJZ1614   |

- 53 (a) The Company is preparing Consolidated Financial Statements in accordance with Ind AS - 110.  
(b) The Company does not have any Overseas Assets in the form of Joint Ventures / Subsidiaries abroad.  
(c) There are no Off-balance Sheet SPVs sponsored by the Company.



## 54 Additional Schedule to Balance Sheet.

(₹ in crore)

| Particulars   |   |   | Amount as on 31.03.2019                                   |                                | Amount as on 31.03.2018             |   | Amount as on 01.04.2017             |             |   |                                |             |
|---|---|---|---|--------------------------------|-------------------------------------|---|-------------------------------------|-------------|---|--------------------------------|-------------|
| Liabilities Side  |   |   | outstanding   | overdue                        | outstanding                         | overdue   | outstanding                         | overdue     |   |                                |             |
| (1)   | Loans and Advances availed by the Company inclusive of interest accrued thereon but not paid:                                     |   |   |                                |                                     |   |                                     |             |   |                                |             |
|   | (a)   | Bonds : Secured   | 14,498.53   | 0.00                           | 21,220.13                           | 0.00  | 20,898.71                           | 0.00        |   |                                |             |
|   |   | : Unsecured   | 1,90,814.82   | 0.00                           | 1,82,677.38                         | 0.00  | 1,77,525.57                         | 0.00        |   |                                |             |
|   | (b)   | (i) Rupee Term Loans  | 46,542.21   | 0.00                           | 10,541.42                           | 0.00  | 2,000.43                            | 0.00        |   |                                |             |
|   |   | (ii) Foreign Currency Loans   | 20,592.26   | 0.00                           | 15,703.01                           | 0.00  | 7,302.32                            | 0.00        |   |                                |             |
|   | (c)   | Commercial Paper  | 9,715.92  | 0.00                           | 6,924.74                            | 0.00  | -                                   | 0.00        |   |                                |             |
|   | (d)   | Short Term Borrowings   | 13,357.29   | 0.00                           | -                                   | 0.00  | 2,400.79                            | 0.00        |   |                                |             |
| Assets Side   |   |   | Amount Outstanding as on 31.03.2019                       |                                | Amount Outstanding as on 31.03.2018 |   | Amount Outstanding as on 01.04.2017 |             |   |                                |             |
| (2)   | Break-up of Loans and Advances including bills receivables (other than those included in (3) below) (Net of Provisions) :         |   |   |                                |                                     |   |                                     |             |   |                                |             |
|   | (a)   | Secured   | 1,98,393.65   |                                | 1,88,209.46                         |   | 1,72,472.57                         |             |   |                                |             |
|   | (b)   | Unsecured   | 1,16,323.18   |                                | 90,815.16                           |   | 73,071.87                           |             |   |                                |             |
|   | (c)   | Less: Impairment loss allowance                                     | (16,057.16)   |                                | (16,939.76)                         |   | (14,835.73)                         |             |   |                                |             |
|   | (d)   | Loans and advances (net of provision)                               | 2,98,659.67   |                                | 2,62,084.86                         |   | 2,30,708.71                         |             |   |                                |             |
| (3)   | Break-up of Leased Assets and stock on hire and other assets counting towards AFC activities (Net of Provisions) :                |   |   |                                |                                     |   |                                     |             |   |                                |             |
|   | (i)   | Lease assets including lease rentals under sundry debtors:          |   |                                |                                     |   |                                     |             |   |                                |             |
|   | (a)   | Financial lease   | 99.89   |                                | 111.89                              |   | 222.99                              |             |   |                                |             |
| (4)   | Break-up of Investments (Net of Provisions)   |   |   |                                |                                     |   |                                     |             |   |                                |             |
|   | Current Investments   |   |   |                                |                                     |   |                                     |             |   |                                |             |
|   | 1.  | Quoted  |   |                                |                                     |   |                                     |             |   |                                |             |
|   |   | (i)   | Shares  |                                |                                     |   |                                     |             |   |                                |             |
|   |   | (a)   | Equity  |                                | 935.09                              |   | 1,126.04                            |             |   |                                |             |
|   |   |   |   |                                |                                     |   | 1,258.03                            |             |   |                                |             |
|   | 2.  | Unquoted  |   |                                |                                     |   |                                     |             |   |                                |             |
|   |   | (i)   | Shares  |                                |                                     |   |                                     |             |   |                                |             |
|   |   | (a)   | Equity  |                                |                                     |   |                                     |             |   |                                |             |
|   |   |   |   |                                |                                     |   | 193.05                              |             |   |                                |             |
|   | Long Term Investments   |   |   |                                |                                     |   |                                     |             |   |                                |             |
|   | 1.  | Quoted  |   |                                |                                     |   |                                     |             |   |                                |             |
|   |   | (i)   | Shares  |                                |                                     |   |                                     |             |   |                                |             |
|   |   | (a)   | Equity  |                                | 14,588.64                           |   | 104.88                              |             |   |                                |             |
|   |   | (ii)  | Debentures and Bonds                                      |                                | 809.84                              |   | 809.84                              |             |   |                                |             |
|   |   |   |   |                                |                                     |   | 1,827.90                            |             |   |                                |             |
|   | 2.  | Unquoted  |   |                                |                                     |   |                                     |             |   |                                |             |
|   |   | (i)   | Shares  |                                |                                     |   |                                     |             |   |                                |             |
|   |   | (a)   | Equity  |                                | 246.45                              |   | 147.45                              |             |   |                                |             |
|   |   | (b)   | Preference  |                                |                                     |   |                                     |             |   |                                |             |
|   |   | (ii)  | Debentures and Bonds                                      |                                |                                     |   | 325.57                              |             |   |                                |             |
|   |   | (iii)   | Units of SIB Fund   |                                | 6.18                                |   | 6.26                                |             |   |                                |             |
|   |   |   |   |                                |                                     |   | 6.30                                |             |   |                                |             |
| (5)   | Borrower group-wise classification of assets financed as in (2) and (3) above:  |   |   |                                |                                     |   |                                     |             |   |                                |             |
|   | Category  |   | Amount Net of Provisions (as on 31.03.2019)               |                                |                                     | Amount Net of Provisions (as on 31.03.2018)               |                                     |             | Amount Net of Provisions (as on 01.04.2017)               |                                |             |
|   |   |   | Secured   | Unsecured                      | Total                               | Secured   | Unsecured                           | Total       | Secured   | Unsecured                      | Total       |
| 1.  | Related Parties   |   |   |                                |                                     |   |                                     |             |   |                                |             |
|   | (a)   | Subsidiaries and Associates   | -   | 196.22                         | 196.22                              | -   | 169.95                              | 169.95      | -   | 115.04                         | 115.04      |
|   | (b)   | Companies in the same group   | -   | -                              | -                                   | -   | -                                   | -           | -   | -                              | -           |
|   | (c)   | Other related parties   | 0.52  | -                              | 0.52                                | 0.52  | -                                   | 0.52        | 0.50  | -                              | 0.50        |
| 2.  | Other than related parties  |   | 1,98,493.02   | 1,16,126.96                    | 3,14,619.98                         | 1,88,320.83   | 90,645.21                           | 2,78,966.04 | 1,72,695.06   | 72,956.83                      | 2,45,651.89 |
|   | Total   |   | 1,98,493.54   | 1,16,323.18                    | 3,14,816.72                         | 1,88,321.35   | 90,815.16                           | 2,79,136.51 | 1,72,695.56   | 73,071.87                      | 2,45,767.43 |
| (6)   | Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted) |   |   |                                |                                     |   |                                     |             |   |                                |             |
|   | Category  |   | (as on 31.03.2019)  |                                |                                     | (as on 31.03.2018)  |                                     |             | (as on 01.04.2017)  |                                |             |
|   |   |   | Market value / Break up <sup>§</sup> or fair value or NAV | Book Value (Net of Provisions) |                                     | Market value / Break up <sup>§</sup> or fair value or NAV | Book Value (Net of Provisions)      |             | Market value / Break up <sup>§</sup> or fair value or NAV | Book Value (Net of Provisions) |             |
| 1.  | Related Parties   |   |   |                                |                                     |   |                                     |             |   |                                |             |
|   | (a)   | Subsidiaries  | 18,145.15   | 14,500.70                      |                                     | 201.31  | 0.20                                |             | 253.39  | 0.20                           |             |
|   | (b)   | Companies in the same group   | 295.99  | 246.25                         |                                     | 200.05  | 147.25                              |             | 176.57  | 147.25                         |             |
| 2.  | Other than related parties  |   | 1839.25   | 1,839.25                       |                                     | 2372.59   | 2,372.59                            |             | 3722.93   | 3,722.93                       |             |
|   | Total   |   | 20,280.39   | 16,586.20                      |                                     | 2,773.95  | 2,520.04                            |             | 4,152.89  | 3,870.38                       |             |
| (7)   | Other Information   |   |   |                                |                                     |   |                                     |             |   |                                |             |
|   | Particulars   |   | Amount (as on 31.03.2019)                                 |                                |                                     | Amount (as on 31.03.2018)                                 |                                     |             | Amount (as on 01.04.2017)                                 |                                |             |
|   | (i)   | Gross Non-performing Assets   |   |                                |                                     |   |                                     |             |   |                                |             |
|   | (a)   | Other than related parties  | 29,540.31   |                                |                                     | 26,866.80   |                                     |             | 12,286.29   |                                |             |
|   | (ii)  | Net Non-performing Assets   |   |                                |                                     |   |                                     |             |   |                                |             |
|   | (a)   | Other than related parties  | 14,519.30   |                                |                                     | 12,625.58   |                                     |             | 7,393.71  |                                |             |
|   | (iii)   | Assets acquired in satisfaction of debt (Gross value of investment) | -   |                                |                                     | -   |                                     |             | -   |                                |             |
| §In case of negative break-up value, Nil value has been considered. |   |   |   |                                |                                     |   |                                     |             |   |                                |             |

<sup>§</sup> In case of negative break-up value, Nil value has been considered.



**55 Amounts expected to be recovered/ settled within 12 months and beyond for each line item under asset and liabilities** (₹ in crore)

|          | Particulars   | As at 31.03.2019 |                     | As at 31.03.2018 |                     | As at 01.04.2017 |                     |
|----------|---|------------------|---------------------|------------------|---------------------|------------------|---------------------|
|          |   | Within 12 months | More than 12 months | Within 12 months | More than 12 months | Within 12 months | More than 12 months |
|          | <b>ASSETS</b>   |                  |                     |                  |                     |                  |                     |
| <b>1</b> | <b>Financial Assets</b>                                     |                  |                     |                  |                     |                  |                     |
| a)       | Cash and Cash Equivalents                                   | 308.48           | -                   | 537.71           | -                   | 42.87            | -                   |
| (b)      | Bank Balance other than included in Cash & Cash Equivalents | 13,846.53        | -                   | 15.49            | -                   | 3,530.29         | -                   |
| (c)      | Derivative Financial Instruments                            | 105.38           | 462.60              | 34.87            | 194.22              | 4.82             | 295.05              |
| (d)      | Loans   | 45,971.12        | 2,57,239.24         | 38,545.03        | 2,27,466.35         | 41,652.48        | 1,93,436.27         |
| (e)      | Investments   | 935.14           | 15,651.06           | 1,126.04         | 1,394.00            | 1,451.08         | 2,419.30            |
| (f)      | Other Financial Assets                                      | 132.47           | 5,243.93            | 69.55            | 5,207.36            | 93.11            | 5,156.32            |
|          | <b>Total financial assets (1)</b>                           | <b>61,299.12</b> | <b>2,78,596.83</b>  | <b>40,328.69</b> | <b>2,34,261.93</b>  | <b>46,774.65</b> | <b>2,01,306.94</b>  |
| <b>2</b> | <b>Non- Financial Assets</b>                                |                  |                     |                  |                     |                  |                     |
| (a)      | Current Tax Assets (Net)                                    | -                | 628.59              | -                | 508.12              | -                | 346.24              |
| (b)      | Deferred Tax Assets (Net)                                   | -                | 4,060.73            | -                | 4,547.26            | -                | 3,570.22            |
| (c)      | Property, Plant and Equipment                               | -                | 27.75               | -                | 26.09               | -                | 24.01               |
| (d)      | Other Intangible Assets                                     | -                | 0.59                | -                | 0.89                | -                | 0.69                |
| (e)      | Other Non-Financial Assets                                  | 180.22           | 61.86               | 180.57           | 54.90               | 950.02           | 60.51               |
|          | <b>Total non-financial assets (2)</b>                       | <b>180.22</b>    | <b>4,779.52</b>     | <b>180.57</b>    | <b>5,137.26</b>     | <b>950.02</b>    | <b>4,001.67</b>     |
|          | <b>Total Assets (1+2)</b>                                   | <b>61,479.34</b> | <b>2,83,376.35</b>  | <b>40,509.26</b> | <b>2,39,399.19</b>  | <b>47,724.67</b> | <b>2,05,308.61</b>  |
|          | <b>LIABILITIES</b>  |                  |                     |                  |                     |                  |                     |
|          | <b>Financial Liabilities</b>                                |                  |                     |                  |                     |                  |                     |
| (a)      | Derivative Financial Instruments                            | 88.64            | 416.95              | 0.04             | 240.64              | -                | 68.41               |
| (b)      | Debt Securities   | 44,608.95        | 1,60,975.54         | 42,907.20        | 1,63,904.59         | 32,458.04        | 1,61,986.30         |
| (c)      | Borrowings (other than Debt Securities)                     | 28,998.61        | 51,345.92           | 2,408.54         | 23,671.63           | 2,446.45         | 9,145.31            |
| (d)      | Subordinated Liabilities                                    | 102.30           | 9,207.40            | 93.59            | 3,799.17            | 93.59            | 3,799.05            |
| (d)      | Other Financial Liabilities                                 | 274.44           | 5,053.40            | 235.56           | 5,157.63            | 2,106.90         | 5,151.62            |
|          | <b>Total financial liabilities (1)</b>                      | <b>74,072.94</b> | <b>2,26,999.21</b>  | <b>45,644.93</b> | <b>1,96,773.66</b>  | <b>37,104.98</b> | <b>1,80,150.69</b>  |
|          | <b>Non- Financial Liabilities</b>                           |                  |                     |                  |                     |                  |                     |
| (a)      | Current Tax Liabilities (Net)                               | -                | 130.70              | -                | 129.97              | -                | 130.43              |
| (b)      | Provisions  | 196.87           | 67.13               | 69.77            | 221.40              | 28.09            | 35.57               |
| (c)      | Other Non-Financial Liabilities                             | 4.49             | 96.36               | 20.12            | 92.45               | 87.28            | 71.16               |
|          | <b>Total non-financial liabilities (2)</b>                  | <b>201.36</b>    | <b>294.19</b>       | <b>89.89</b>     | <b>443.82</b>       | <b>115.37</b>    | <b>237.16</b>       |
|          | <b>Total liabilities (1+2)</b>                              | <b>74,274.30</b> | <b>2,27,293.40</b>  | <b>45,734.82</b> | <b>1,97,217.48</b>  | <b>37,220.35</b> | <b>1,80,387.85</b>  |



- 56** In the context of reporting business / geographical segment as required by Ind AS 108 - "Operating Segments", the Company's operations comprise of only one business segment - lending to power sector entities. Hence, there are no reportable segments as per Ind AS 108.
- 57** Figures have been rounded off to the nearest crore of rupees with two decimals.

**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**

CORPORATE OVERVIEW

DIRECTORS' REPORT

FINANCIAL STATEMENTS

## Independent Auditors' Report

### TO THE MEMBERS OF POWER FINANCE CORPORATION LIMITED

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

##### OPINION

We have audited the accompanying Consolidated Financial Statements of Power Finance Corporation Limited (hereinafter referred to as "Holding Company") and its subsidiaries (the holding company and its subsidiaries together referred to as "the Group"), its associates and jointly controlled entity, which comprise the consolidated balance sheet as at 31st March, 2019, the consolidated statement of profit and loss (including Other Comprehensive Income), the consolidated statement of changes in equity, the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (hereinafter referred to as "the Consolidated Financial Statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Consolidated Financial Statements give the information required by the Companies Act, 2013 (hereinafter referred to as "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 their consolidated state of affairs of the Company as at 31st March, 2019, of consolidated profit and total comprehensive income, consolidated changes in equity and its consolidated cash flows for the year then ended.

##### BASIS FOR OPINION

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under Section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by ICAI, and we have fulfilled our other ethical responsibilities in accordance with the provisions of the Act. 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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.</p>  |
| <b>2</b>  | <p><b>Valuation of financial instruments at Fair Value</b></p> <p>The Company and its subsidiary REC Ltd. 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 counterparty 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 counterparty banks while considering other inputs.</p> |
| <b>3</b>  | <p><b>Recoverability of Company's investment in Subsidiaries, Associates and Joint Ventures</b></p> <p>Due to the materiality of the investment in the parent Company's financial statements and the related market risk associated with recoverability of investments, this was considered to be the area of focus.</p>  | <p><b>Our procedures included:</b></p> <p>Perusal 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 investment.</p>   |
| <b>4.</b> | <p><b>Information Technology</b></p> <p><b>Control Performance</b></p> <p><b>In case of Parent Company</b></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>   |

## RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Holding Company's Board of Directors is responsible for the preparation and presentation of these Consolidated Financial Statements in terms of the requirements of the Companies Act, 2013 that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its associates and jointly controlled entity in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act. The respective Board of Directors of the companies included in the Group and of its associates and jointly controlled entity are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the 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, which have been used for the purpose of preparation of the Consolidated Financial Statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group and of its associates and jointly controlled entity are responsible for assessing the ability of the Group and of its associates and jointly controlled entity 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 Group or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group and of its associates and jointly controlled entity are responsible for overseeing the financial reporting process of the Group and of its associates and jointly controlled entity.

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 ability of the Group and its associates and jointly controlled entities 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 consolidated 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 Group and its associates and jointly controlled entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and its associates and jointly controlled entity to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

We communicate with those charged with governance of the Holding Company 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 consolidated 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.

## OTHER MATTERS

- (a) The comparative financial information of the Group and its associates and jointly controlled entity 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 consolidated 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 consolidated financial statements, as adjusted for the differences in the accounting principles adopted by the Group and its associates and jointly controlled entity on transition to the Ind AS, which have been audited by us with respect to Holding Company and by other auditors with respect to its adjusted subsidiaries, associates and jointly controlled entity.

Our opinion is not modified in respect of above matter.

- (b) We did not audit the financial statements / financial information of two subsidiaries whose financial statements / financial information reflect total assets of ₹ 2,98,453.88 crore as at 31<sup>st</sup> March, 2019, total revenues of ₹ 25,431.33 crore and net cash flows amounting to ₹ 133.56 crore for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of net profit of Nil for the year ended 31<sup>st</sup> March, 2019, as considered in the consolidated financial statements, in respect of fifteen associates, whose financial statements / financial information have not been audited by us. These financial statements / financial information have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the Consolidated Financial Statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and associates, and our report in terms of sub-sections (3) and (11) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries and associates, is based solely on the reports of the other auditors.
- (c) We did not audit the financial statements / financial information of one subsidiary and one jointly controlled entity, whose financial statements / financial information reflect total assets of ₹ 6,994.55 crore as at 31<sup>st</sup> March, 2019, total revenues of ₹ 1,993.05 crore and net cash flows amounting to ₹ 17.44 crore for the year ended on that date, as considered in the consolidated financial statements. These financial statements / financial information are unaudited and have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiary & jointly controlled entity, and our report in terms of sub-sections (3) and (11) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiary and jointly controlled entity, is based solely on such unaudited financial statements / financial information. In our opinion and according to the information and explanations given to us by the Management, these financial statements / financial information are not material to the Group.

Our opinion on the Consolidated Financial Statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements / financial information certified by the Management.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by Section 143(3) of the Act, we report, to the extent applicable, 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 of the aforesaid Consolidated Financial Statements.
  - (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid Consolidated Financial Statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.
  - (c) The consolidated balance sheet, the consolidated statement of profit and loss and the consolidated cash flow statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the Consolidated Financial Statements.



- (d) In our opinion, the aforesaid Consolidated Financial Statements comply with the Accounting Standards specified under Section 133 of the Act.
- (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 Group and its associates & jointly controlled entity, being Government Companies.
- (f) With respect to the adequacy of internal financial controls over financial reporting of the Group and the operating effectiveness of such controls, refer to our separate Report in **Annexure A**.
- (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:
- The Consolidated Financial Statements disclose the impact of pending litigations on the consolidated financial position of the Group, its associates and jointly controlled entity - Refer Note No. 47 to the Consolidated Financial Statements;
  - The group, its associates and its jointly controlled entity did not have any material foreseeable losses on long-term contracts including derivative contracts;
  - There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiary companies, associate companies and jointly controlled company incorporated in 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





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

(Referred to in Para 1(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 consolidated financial statements for the year ended 31st March, 2019)

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

In conjunction with our audit of the consolidated financial statements of Company as of and for the year ended 31<sup>st</sup> March, 2019, We have audited the internal financial controls with reference to consolidated financial statements of Power Finance Corporation Limited (hereinafter referred to as "the Holding Company"), its subsidiary companies, its associate companies and jointly controlled entity, which are companies incorporated in India, as of that date.

### MANAGEMENT'S RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROLS

The Respective Board of Directors of the Holding Company, its subsidiary companies, its associate companies and jointly controlled entity, which are companies incorporated in India are 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 the respective 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 control 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 and the audit evidence obtained by the other auditor in terms of their reports referred to in the Other Matters paragraph below 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 management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised 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, Holding Company, its subsidiary companies, its associate companies and jointly controlled entity, which are companies incorporated in India have, 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.

However, the Statutory Auditors of one of the subsidiary companies (REC Ltd.) have reported in their consolidated report that, in all material aspects, an adequate internal financial controls system over financial reporting is existing except (i) strengthening of procedures for monitoring of utilization of funds disbursed to the borrowers, (ii) rotation of duties amongst some of the staff as per HR policy to be implemented, (iii) improvement in the system of allocation of common expenses by subsidiaries to its associates (SPV's), (iv) procedure to obtain periodical balance confirmation and timely obtaining Internal Audit Report and compliances thereby by subsidiaries.

### **OTHER MATTERS**

Our aforesaid reports under Sub-section 3 (i) of Section 143 of the Act, on the internal financial controls with reference to financial statements in so far as applicable to two subsidiary companies and fifteen associate companies is based on the corresponding reports of the auditors of such companies incorporated in India and in respect of one subsidiary and one jointly controlled entity, we have relied on the explanation provided by the management of holding company in absence of IFC report of such entity. In our opinion, the same is not considered material for the consolidated financial statement of the Group, its associates and its jointly controlled entity.

#### **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



## COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE CONSOLIDATED 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) read with section 129(4) of the Act. We conducted a supplementary audit of the financial Statements of Power Finance Corporation Limited and REC Limited but did not conduct the supplementary audit of the financial statements of subsidiaries, associate companies and jointly controlled entities as listed in Annexure I. 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**

CORPORATE OVERVIEW

DIRECTORS' REPORT

FINANCIAL STATEMENTS

**ANNEXURE I****List of Subsidiaries, Associate companies and Jointly controlled entities of Power Finance Corporation Limited whose financial statements were not audited by the Comptroller and Auditor General of India****A. Subsidiaries:**

1. PFC Consulting Limited
2. Power Equity Capital Advisors Private Limited

**B. Jointly controlled entities:**

1. Energy Efficiency Services Limited

**C. Associate Companies:**

1. Coastal Maharashtra Mega Power Limited
2. Orissa Integrated Power Limited
3. Coastal Karnataka Power Limited
4. Coastal Tamil Nadu Power Limited
5. Chhattisgarh Surguja Power Limited
6. Sakthigopal Integrated Power Company Limited
7. Gogarpalli Integrated Power Company Limited
8. Tatiya Andhra Mega Power Limited
9. Deoghar Mega Power Limited
10. Cheyyur Infra Limited
11. Odisha Infrapower Limited
12. Deoghar Infra Limited
13. Bihar Infrapower Limited
14. Bihar Mega Power Limited
15. Jharkhand Infrapower Limited



**Power Finance Corporation Limited**  
**CIN L65910DL1986GOI024862**  
**Consolidated 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        | 725.03            | 825.04            | 4,544.99          |
| (b)       | Bank Balance other than included in Cash and Cash Equivalents                           | 7        | 15,606.41         | 2,024.27          | 3,684.05          |
| (c)       | Derivative Financial Instruments  | 8        | 2,370.56          | 919.47            | 927.94            |
| (d)       | Trade Receivables   | 9        | 172.13            | 145.77            | 135.71            |
| (e)       | Loans   | 10       | 573,661.28        | 494,889.63        | 429,023.27        |
| (f)       | Investments   | 11       | 4,603.77          | 5,492.51          | 6,903.19          |
| (g)       | Other Financial Assets  | 12       | 23,761.47         | 9,662.57          | 5,466.63          |
|           | <b>Total Financial Assets (1)</b>   |          | <b>620,900.65</b> | <b>513,959.26</b> | <b>450,685.78</b> |
| <b>2.</b> | <b>Non- Financial Assets</b>  |          |                   |                   |                   |
| (a)       | Inventories   | 13       | -                 | -                 | 0.04              |
| (b)       | Current Tax Assets (Net)  | 14       | 925.90            | 542.31            | 397.43            |
| (c)       | Deferred Tax Assets (Net)   | 43       | 6,369.74          | 7,393.55          | 5,707.82          |
| (d)       | Investment Property   | 15       | 0.01              | 0.01              | 0.01              |
| (e)       | Property, Plant and Equipment   | 16       | 186.45            | 155.24            | 151.57            |
| (f)       | Capital Work-in-Progress  | 16       | 196.94            | 127.23            | 61.41             |
| (g)       | Intangible Assets under development   | 16       | 1.59              | 1.46              | 1.46              |
| (h)       | Other Intangible Assets   | 16       | 9.18              | 6.19              | 1.38              |
| (i)       | Other Non-Financial Assets  | 17       | 393.50            | 338.55            | 1,087.14          |
|           | <b>Total Non- Financial Assets (2)</b>  |          | <b>8,083.31</b>   | <b>8,564.54</b>   | <b>7,408.26</b>   |
| <b>3.</b> | <b>Assets Classified as held for sale</b>   | 18       | <b>9.56</b>       | <b>7.68</b>       | <b>3.08</b>       |
|           | <b>Total Assets (1+2+3)</b>   |          | <b>628,993.52</b> | <b>522,531.48</b> | <b>458,097.12</b> |
|           | <b>LIABILITIES AND EQUITY</b>   |          |                   |                   |                   |
| <b>1</b>  | <b>LIABILITIES</b>  |          |                   |                   |                   |
| (a)       | Financial Liabilities   |          |                   |                   |                   |
| (b)       | Derivative Financial Instruments  | 8        | 664.99            | 558.43            | 422.87            |
| (b)       | Trade Payables  | 19       |                   |                   |                   |
|           | (I) Total outstanding dues of Micro, Small and Medium Enterprises                       |          | 2.65              | 1.83              | 0.30              |
|           | (II) Total outstanding dues of creditors other than Micro, Small and Medium Enterprises |          | 72.26             | 64.87             | 45.89             |
| (c)       | Debt Securities   | 20       | 398,352.00        | 385,879.65        | 343,095.30        |
| (d)       | Borrowings (other than Debt Securities)   | 21       | 127,007.07        | 48,711.59         | 33,291.93         |
| (e)       | Subordinated Liabilities  | 22       | 14,128.46         | 6,560.12          | 6,559.85          |
| (f)       | Other Financial Liabilities   | 23       | 24,574.28         | 24,607.41         | 22,046.00         |
|           | <b>Total Financial Liabilities (1)</b>  |          | <b>564,801.71</b> | <b>466,383.90</b> | <b>405,462.14</b> |
| <b>2</b>  | <b>Non- Financial Liabilities</b>   |          |                   |                   |                   |
| (a)       | Current Tax Liabilities (Net)   | 14       | 130.70            | 130.48            | 130.98            |
| (b)       | Provisions  | 24       | 366.81            | 517.28            | 279.77            |
| (c)       | Other Non-Financial Liabilities   | 25       | 209.95            | 230.07            | 208.73            |
|           | <b>Total Non- Financial Liabilities (2)</b>   |          | <b>707.46</b>     | <b>877.83</b>     | <b>619.48</b>     |
| <b>3</b>  | <b>Liabilities directly associated with assests classified as held for sale</b>         | 18       | <b>0.08</b>       | <b>-</b>          | <b>-</b>          |
|           | <b>Total Liabilities (1+2+3)</b>  |          | <b>565,509.25</b> | <b>467,261.73</b> | <b>406,081.62</b> |
| <b>4</b>  | <b>Equity</b>   |          |                   |                   |                   |
| (a)       | Equity Share Capital  | 26       | 2,640.08          | 2,640.08          | 2,640.08          |
| (b)       | Other Equity  | 27       | 44,481.17         | 37,194.45         | 34,782.49         |
|           | <b>Equity attributable to owners of the Company (a+b)</b>                               |          | <b>47,121.25</b>  | <b>39,834.53</b>  | <b>37,422.57</b>  |
| (c)       | Non-Controlling interest  | 28       | 16,363.02         | 15,435.22         | 14,592.93         |
|           | <b>Total Equity (4)</b>   |          | <b>63,484.27</b>  | <b>55,269.75</b>  | <b>52,015.50</b>  |
|           | <b>Total Liabilities and Equity (1+2+3+4)</b>   |          | <b>628,993.52</b> | <b>522,531.48</b> | <b>458,097.12</b> |

Accompanying notes to the Consolidated Financial Statements 1 – 72

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**  
**Consolidated Statement of Profit and Loss for the Year ended March 31, 2019**

(₹ in crore)

| Sr. No.      | Particulars   | Note No. | Year ended<br>31.03.2019 | Year ended<br>31.03.2018 |
|--------------|---|----------|--------------------------|--------------------------|
|              | <b>Revenue from Operations</b>  |          |                          |                          |
| (i)          | Interest Income   | 29       | 53,435.70                | 47,677.22                |
| (ii)         | Dividend Income   | 44       | 76.63                    | 92.13                    |
| (iii)        | Fees and Commission Income  | 30       | 374.11                   | 566.98                   |
| (iv)         | Other Operating Income  | 32       | 227.50                   | 287.50                   |
| <b>I.</b>    | <b>Total Revenue from Operations</b>  |          | <b>54,113.94</b>         | <b>48,623.83</b>         |
| <b>II.</b>   | <b>Other Income</b>   | 33       | <b>42.89</b>             | <b>21.59</b>             |
| <b>III.</b>  | <b>Total Income (I+II)</b>  |          | <b>54,156.83</b>         | <b>48,645.42</b>         |
|              | <b>Expenses</b>   |          |                          |                          |
| (i)          | Finance Costs   | 34       | 34,620.96                | 30,288.83                |
| (ii)         | Net Translation / Transaction Exchange Loss (+) / Gain (-)                                    |          | 1,041.42                 | 232.47                   |
| (iii)        | Fees and Commission Expense   | 35       | 44.47                    | 33.16                    |
| (iv)         | Net Loss on Fair Value changes  | 31       | 263.54                   | 766.56                   |
| (v)          | Impairment on Financial Instruments   | 36       | (625.73)                 | 4,693.23                 |
| (vi)         | Cost of services rendered   |          | 85.15                    | 119.80                   |
| (vii)        | Cost of material consumed   |          | -                        | 7.95                     |
| (viii)       | Changes in inventories of finished goods and work-in-progress                                 | 37       | -                        | 0.04                     |
| (ix)         | Employee Benefit Expenses   | 38       | 362.66                   | 374.16                   |
| (x)          | Depreciation and Amortisation   | 16       | 15.49                    | 14.68                    |
| (xi)         | Corporate Social Responsibility Expenses  | 46       | 206.32                   | 171.05                   |
| (xii)        | Other Expenses  | 39       | 324.77                   | 185.40                   |
| <b>IV.</b>   | <b>Total Expenses</b>   |          | <b>36,339.05</b>         | <b>36,887.33</b>         |
| <b>V.</b>    | <b>Profit/(Loss) Before Exceptional Items and Tax (III-IV)</b>                                |          | <b>17,817.78</b>         | <b>11,758.09</b>         |
| <b>VI.</b>   | <b>Exceptional Items</b>  |          | -                        | -                        |
| <b>VII.</b>  | <b>Share of Profit / (Loss) in Joint Venture and Associates</b>                               |          | 44.25                    | 21.35                    |
| <b>VIII.</b> | <b>Profit/(Loss) Before Tax (V-VI+VIII)</b>   |          | <b>17,862.03</b>         | <b>11,779.44</b>         |
|              | <b>Tax Expense:</b>   |          |                          |                          |
| (1)          | Current Tax   |          |                          |                          |
|              | Current Year  |          | 4,182.75                 | 4,656.89                 |
|              | Earlier Years   |          | (12.75)                  | 9.94                     |
| (2)          | Deferred Tax  |          | 1,051.76                 | (1,684.08)               |
| <b>IX.</b>   | <b>Total Tax Expense</b>  |          | <b>5,221.76</b>          | <b>2,982.75</b>          |
| <b>X.</b>    | <b>Profit/(Loss) for the year from Continuing Operations (VIII-IX)</b>                        |          | <b>12,640.27</b>         | <b>8,796.69</b>          |
| <b>XI.</b>   | <b>Profit/(Loss) From Discontinued Operations (After Tax)</b>                                 |          | -                        | -                        |
| <b>XII.</b>  | <b>Profit/(Loss) for the year (for continuing and discontinued operations) (X+XI)</b>         |          | <b>12,640.27</b>         | <b>8,796.69</b>          |
| <b>XIII.</b> | <b>Other Comprehensive Income</b>   |          |                          |                          |
| (i)          | Items that will not be reclassified to Profit or Loss   |          |                          |                          |
|              | - Re-measurement of Defined Benefit Plans   |          | (23.00)                  | (0.62)                   |
|              | - Net Gain / (Loss) on Fair Value of Equity Instruments                                       |          | (202.25)                 | (322.22)                 |
|              | - Share of other Comprehensive Income / (Loss) in Joint Venture accounted using equity method |          | (0.13)                   | (0.05)                   |
| (ii)         | Income Tax relating to items that will not be reclassified to Profit or Loss                  |          |                          |                          |
|              | - Re-measurement of Defined Benefit Plans   |          | 8.46                     | 3.98                     |
|              | - Net Gain / (Loss) on Fair Value of Equity Instruments                                       |          | (0.68)                   | (0.10)                   |
| (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)                  | -                        |
|              | - Share of other Comprehensive Income in Joint Venture accounted using equity method          |          | -                        | 2.92                     |

(₹ in crore)

| Sr. No.     | Particulars   | Note No. | Year ended<br>31.03.2019 | Year ended<br>31.03.2018 |
|-------------|---|----------|--------------------------|--------------------------|
|             | (iv) Income Tax relating to items that will be reclassified to Profit or Loss |          | 26.93                    | –                        |
|             | <b>Other Comprehensive Income (A+B)</b>                                       |          | <b>(267.75)</b>          | <b>(316.09)</b>          |
| <b>XIV.</b> | <b>Total Comprehensive Income for the year (XII+XIII)</b>                     |          | <b>12,372.52</b>         | <b>8,480.60</b>          |
|             | <b>Profit for the year attributable to:</b>                                   |          |                          |                          |
|             | - Owners of the Company   |          | 9,920.86                 | 6,688.69                 |
|             | - Non-Controlling Interest  |          | 2,719.41                 | 2,108.00                 |
|             |   |          | <b>12,640.27</b>         | <b>8,796.69</b>          |
|             | <b>Other Comprehensive Income for the Year</b>                                |          |                          |                          |
|             | - Owners of the Company   |          | (239.05)                 | (318.77)                 |
|             | - Non-Controlling Interest  |          | (28.70)                  | 2.68                     |
|             |   |          | <b>(267.75)</b>          | <b>(316.09)</b>          |
|             | <b>Total other comprehensive income for the year</b>                          |          |                          |                          |
|             | - Owners of the Company   |          | 9,681.81                 | 6,369.92                 |
|             | - Non-Controlling Interest  |          | 2,690.71                 | 2,110.68                 |
|             |   |          | <b>12,372.52</b>         | <b>8,480.60</b>          |
| <b>XV.</b>  | <b>Earnings Per Equity Share (Face Value ₹10/- each)</b>                      |          |                          |                          |
|             | <b>(for continuing and discontinued operations)</b>                           |          |                          |                          |
|             | (1) Basic EPS (₹)   |          | 37.58                    | 25.34                    |
|             | (2) Diluted EPS (₹)   |          | 37.58                    | 25.34                    |

Accompanying notes to the Consolidated Financial Statements 1 – 72

**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**

CORPORATE OVERVIEW

DIRECTORS' REPORT

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

### A. Equity Share Capital

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

### B. Other Equity

[illegible]



| Particulars  | Reserves and surplus             |   |   |   |  |                         |                            |   |                                      |                 | Other Comprehensive Income |   |                                       |   | Attributable to owners of the parent | Non-Controlling interest | Total      |
|--|----------------------------------|---|---|---|--|-------------------------|----------------------------|---|--------------------------------------|-----------------|----------------------------|---|---------------------------------------|---|--------------------------------------|--------------------------|------------|
|  | Capital Reserve - Common Control | 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) 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 Reserve | Foreign Currency Monetary Item Translation Difference Account | Interest Different Reserve -KFW Loan | General Reserve | Retained Earnings          | Equity Instruments through comprehensive Income | Effective portion of Cash Flow hedges | Share of other comprehensive income of Joint Venture and associates accounted using equity method |                                      |                          |            |
| Balance as at 31.03.2018   | (13,461.00)                      | 23.36   | 4,840.09  | 599.85  | 23,190.91  | 2,317.16                | 3,953.74                   | (401.83)  | 57.90                                | 9,191.77        | 6,887.10                   | (6.82)  | -                                     | 2.22  | 37,194.45                            | 15,435.22                | 52,629.67  |
| Profit for the year  | -                                | -   | -   | -   | -  | -                       | -                          | -   | -                                    | -               | 9,920.86                   | -   | -                                     | -   | 9,920.86                             | 2,719.41                 | 12,640.27  |
| Re-measurement of Defined Benefit Plans                                      | -                                | -   | -   | -   | -  | -                       | -                          | -   | -                                    | -               | (8.57)                     | -   | -                                     | -   | (8.57)                               | (5.97)                   | (14.54)    |
| Other Comprehensive Income / (Expense)                                       | -                                | -   | -   | -   | -  | -                       | -                          | -   | -                                    | -               | (0.11)                     | (180.22)  | (50.14)                               | -   | (230.47)                             | (22.73)                  | (253.20)   |
| Total Comprehensive Income   | -                                | -   | -   | -   | -  | -                       | -                          | -   | -                                    | -               | 9,912.18                   | (180.22)  | (50.14)                               | -   | 9,681.82                             | 2,690.71                 | 12,372.53  |
| Dividends  | -                                | -   | -   | -   | -  | -                       | -                          | -   | -                                    | -               | (1,325.29)                 | -   | -                                     | -   | (1,325.29)                           | (1,192.61)               | (2,517.90) |
| Dividends Distribution Tax   | -                                | -   | -   | -   | -  | -                       | -                          | -   | -                                    | -               | (299.35)                   | -   | -                                     | -   | (299.35)                             | (248.91)                 | (548.26)   |
| Transfer to / from retained earnings   | -                                | 1,997.46  | 497.44  | -   | 2,274.58   | 393.21                  | -                          | -   | -                                    | 1,000.00        | (6,148.13)                 | (14.56)   | -                                     | -   | (0.00)                               | -                        | (0.00)     |
| Additions / Deletion during the year (net)                                   | -                                | -   | -   | -   | -  | (2.30)                  | -                          | (770.46)  | 2.10                                 | -               | 0.20                       | -   | -                                     | -   | (770.46)                             | (321.39)                 | (1,091.85) |
| Reclassification of gain / loss on sale of equity instrument measured at OCI | -                                | -   | -   | -   | -  | -                       | -                          | -   | -                                    | -               | 2.85                       | (2.85)  | -                                     | -   | -                                    | -                        | -          |
| Balance as at 31.03.2019   | (13,461.00)                      | 2,020.82  | 5,337.53  | 599.85  | 25,465.49  | 2,708.07                | 3,953.74                   | (1,172.29)  | 60.00                                | 10,191.77       | 9,029.56                   | (204.45)  | (50.14)                               | 2.22  | 44,481.17                            | 16,363.02                | 60,844.18  |

Accompanying notes to the Consolidated Financial Statements 1 – 72

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

FINANCIAL STATEMENTS

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CORPORATE OVERVIEW

**Power Finance Corporation Limited**  
CIN L65910DL1986GOI024862

**Consolidated Cash Flow Statement for the year ended March 31, 2019**

(₹ in crore)

| Sr. No. | Description  | Year ended<br>31.03.2019 | Year ended<br>31.03.2018 |
|---------|--|--------------------------|--------------------------|
| I.      | <b>Cash Flow from Operating Activities :-</b>  |                          |                          |
|         | <b>Profit before Tax</b>   | <b>17,862.03</b>         | <b>11,779.44</b>         |
|         | <b>Add / (Less): Adjustments for</b>   |                          |                          |
|         | Loss on derecognition of Property, Plant and Equipment (net)                             | 1.23                     | 0.98                     |
|         | Depreciation and Amortisation  | 15.49                    | 14.68                    |
|         | Amortization of discount on Zero Coupon Bonds and Financial Charges on Commercial Papers | 363.04                   | 158.72                   |
|         | Unrealised Foreign Exchange Translation Loss / (Gain)                                    | 1,077.58                 | 145.36                   |
|         | Net Change in Fair Value   | 266.54                   | 779.95                   |
|         | Effective Interest Rate on Loans   | (9.14)                   | (21.88)                  |
|         | Impairment on Financial Instruments  | (625.73)                 | 4,693.24                 |
|         | Accrued Interest on investment   | (505.59)                 | (493.78)                 |
|         | Interest Subsidy Fund  | 3.46                     | 9.32                     |
|         | Provision for interest under Income Tax Act, 1961  | 9.56                     | 5.68                     |
|         | Excess Liabilities written back  | (1.68)                   | (3.70)                   |
|         | Provision for Retirement Benefits etc.   | 56.09                    | 72.39                    |
|         | Dividend Income  | (76.63)                  | (92.13)                  |
|         | Effective Interest Rate on Borrowings / Debt Securities / Subordinated Liabilities       | (788.63)                 | 1.28                     |
|         | Interest on Income Tax Refund  | (8.29)                   | (4.78)                   |
|         | Share of Profit/Loss of Joint Venture accounted for using equity method                  | (44.25)                  | (21.35)                  |
|         | <b>Operating profit before Working Capital Changes:</b>                                  | <b>17,595.09</b>         | <b>17,023.42</b>         |
|         | <b>Increase / Decrease :</b>   |                          |                          |
|         | Loans (Net)  | (78,082.12)              | (70,627.66)              |
|         | Other Assets (Financial and Non-Financial)   | (27,653.86)              | (2,160.85)               |
|         | Derivative   | (1,611.07)               | (635.92)                 |
|         | Liabilities and provisions   | 14,044.08                | 4,101.58                 |
|         | <b>Cash Flow before Exceptional Items</b>  | <b>(75,707.88)</b>       | <b>(52,299.43)</b>       |
|         | Exceptional Items  | —                        | —                        |
|         | <b>Cash Flow from Operations Before Tax</b>  | <b>(75,707.88)</b>       | <b>(52,299.43)</b>       |
|         | Income Tax paid  | (4,626.89)               | (4,852.53)               |
|         | Income Tax Refund  | 81.34                    | 4.40                     |
|         | <b>Net Cash flow from Operating Activities</b>   | <b>(80,253.43)</b>       | <b>(57,147.56)</b>       |
| II.     | <b>Cash Flow From Investing Activities :</b>   |                          |                          |
|         | Proceeds from disposal of Property, Plant and Equipment                                  | 0.28                     | 0.44                     |
|         | Purchase of Property, Plant and Equipment (including CWIP and capital advance)           | (99.46)                  | (89.77)                  |
|         | Investments in Subsidiaries  | (14,500.00)              | —                        |
|         | Interest on investment   | 411.15                   | 509.65                   |
|         | Dividend on investment   | 76.63                    | 92.13                    |
|         | Increase / Decrease in Other Investments   | 648.39                   | 896.68                   |
|         | <b>Net Cash Used in Investing Activities</b>   | <b>(13,463.02)</b>       | <b>1,409.13</b>          |
| III.    | <b>Cash Flow From Financing Activities :</b>   |                          |                          |
|         | Issue of Bonds (including premium) (Net of Redemptions)                                  | (4,737.02)               | 23,604.86                |
|         | Raising of Long Term Loans (Net of Repayments)   | 60,028.55                | 8,175.00                 |
|         | Raising of Foreign Currency Loans (Net of Repayments)                                    | 13,353.18                | 17,942.68                |
|         | Raising of Subordinated Liabilities (Net of Redemptions)                                 | 7,562.70                 | (0.00)                   |
|         | Raising of Commercial paper (Net of Repayments)  | 7,113.04                 | 10,044.84                |
|         | Raising of Working Capital Demand Loan / OD / CC / Line of Credit (Net of Repayments)    | 13,357.17                | (2,400.79)               |
|         | Unclaimed Bonds (Net)  | (2.78)                   | 3.41                     |
|         | Unclaimed Dividend (Net)   | 0.53                     | 1.20                     |
|         | Payment of Interim Dividend*   | (2,511.50)               | (4,464.15)               |
|         | Payment of Corporate Dividend Tax  | (547.44)                 | (888.57)                 |
|         | <b>Net Cash in-flow from Financing Activities</b>  | <b>93,616.44</b>         | <b>52,018.49</b>         |
|         | <b>Net Increase / Decrease in Cash and Cash Equivalents</b>                              | <b>(100.01)</b>          | <b>(3719.95)</b>         |
|         | Add : Cash and Cash Equivalents at beginning of the financial year                       | 825.04                   | 4544.99                  |



|   |        |               |        |               |
|---|--------|---------------|--------|---------------|
| <b>Cash and Cash Equivalents at the end of the financial year</b>   |        | <b>725.03</b> |        | <b>825.04</b> |
| <b>Details of Cash and Cash Equivalents at the end of the year:</b> |        |               |        |               |
| i) Balances with Banks (of the nature of cash and cash equivalents) |        |               |        |               |
| In current accounts   | 369.41 |               | 211.31 |               |
| In demand deposit accounts  | 355.61 | 725.02        | 613.72 | 825.03        |
| ii) Cheques, Drafts on hand including postage and Imprest           |        | 0.01          |        | 0.01          |
| <b>Total Cash and Cash Equivalents at the end of the year</b>       |        | <b>725.03</b> |        | <b>825.04</b> |

\* Payment of interim dividend for FY 2017-18 of ₹4464.15 crore includes ₹446.04 crore pertaining to FY 2016-17.

## Reconciliation of liabilities arising from financing activities

(₹ in crore)

| Sr. No. | Particulars   | Bonds /<br>Debenture* | Term<br>Loans**  | Foreign<br>Currency<br>Loans | Commercial<br>Paper | WCDL<br>etc.     | Subordinated<br>Debts | Total             |
|---------|---|-----------------------|------------------|------------------------------|---------------------|------------------|-----------------------|-------------------|
|         | <b>Opening Balance as at 01.04.2017</b>   | <b>329,059.77</b>     | <b>2,750.00</b>  | <b>29,524.43</b>             | <b>–</b>            | <b>2,400.79</b>  | <b>6,300.00</b>       | <b>370,034.99</b> |
|         | Cash Flow During the Year   | 23,604.86             | 8,175.00         | 17,942.68                    | 10,044.84           | (2,400.79)       | (0.00)                | 57,366.60         |
|         | <u>Non-Cash Changes due to:</u>   |                       |                  |                              |                     |                  |                       |                   |
|         | Amortisation of discount / interest on<br>Zero Coupon Bond / Financial Charges<br>on Commercial Paper | 128.36                | –                | –                            | 129.90              | –                | –                     | 258.25            |
|         | Variation in Exchange Rates   | –                     | –                | 599.56                       | –                   | –                | –                     | 599.56            |
|         | <b>Closing Balance as at 31.03.2018</b>   | <b>352,792.99</b>     | <b>10,925.00</b> | <b>48,066.67</b>             | <b>10,174.74</b>    | <b>–</b>         | <b>6,300.00</b>       | <b>428,259.40</b> |
|         | Cash Flow During the Year   | (4,737.02)            | 60,028.55        | 13,353.18                    | 7,113.04            | 13,357.17        | 7,562.70              | 96,677.63         |
|         | <u>Non-Cash Changes due to:</u>   |                       |                  |                              |                     |                  |                       |                   |
|         | Amortization of discount on Zero Coupon<br>Bonds & Financial Charges on<br>Commercial Papers          | 139.01                | –                | –                            | 403.14              | –                | –                     | 542.14            |
|         | Variation in Exchange Rates   | –                     | –                | 2,164.52                     | –                   | –                | –                     | 2,164.52          |
|         | <b>Closing Balance as at 31.03.2019</b>   | <b>348,194.98</b>     | <b>70,953.55</b> | <b>63,584.37</b>             | <b>17,690.92</b>    | <b>13,357.17</b> | <b>13,862.70</b>      | <b>527,643.69</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 Consolidated Financial Statements for the year ended March 31, 2019

### 1. Group 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.

These consolidated financial statements comprise the financial statements of the Company & its subsidiaries (referred to collectively as the 'Group'), its associates and the Group's interest in its joint ventures, as listed at Note 2.4. The Group is primarily engaged in extending financial assistance to power sector. Other business includes providing consultancy services to power sector and facilitation of development of Independent Transmission Projects (ITPs).

#### Acquisition of REC Limited (RECL):

The Company on 28.03.2019 has acquired 52.63% shareholding held by the President of India (103,93,99,343 equity shares of face value ₹10/- per share) in REC Limited (RECL) (formerly Rural Electrification Corporation Limited) at ₹139.5036 per share for a total cash consideration of ₹14,500.00 crore. The difference between the consideration paid and the value of 52.63% stake in net identifiable assets of RECL (i.e. ₹18,181.74 crore) amounts to ₹3,681.74 crore.

RECL is also 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).

The acquisition has been evaluated as a business combination under common control and has been accounted based on pooling of interest method as stated at Note 3.18. In compliance with Appendix C of Ind AS 103 'Business Combination' read with Ind AS 1 'Presentation of Financial Statements', the Consolidated financials have been prepared as if the business combination had occurred from the beginning of the preceding period i.e. 01.04.2017.

### 2. Statement of Compliance

2.1 The Group 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 Consolidated 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 Group's first Ind AS Consolidated Financial Statements and the date of transition is 01.04.2017.

The Group prepared its consolidated 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 Group has followed the provisions of Ind AS 101-'First Time adoption of Indian Accounting Standards' in preparing its opening Ind AS Consolidated 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 Group's first Ind AS consolidated financial statements.

The mandatory exceptions and optional exemptions availed by companies in the Group on First-time adoption have been detailed in Note 4. Further, in accordance with Ind AS 101, the Group 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 53.

2.2 These consolidated 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 Group is currently evaluating the effect of these amendments on the consolidated financial statements

## 2.4 The Consolidated financial statements represents consolidation of accounts of the Company, its subsidiaries, Joint venture entity and Associates as detailed below :

| Sr. No.        | Name of the Company   |                 | Country of incorporation | Proportion of ownership interest as at |            |            | Status of Audit as on 31.03.2019 |
|----------------|---|-----------------|--------------------------|--|------------|------------|----------------------------------|
|                |   |                 |                          | 31.03.2019                             | 31.03.2018 | 31.03.2017 |                                  |
| 1              | REC Limited* (Refer Note 1)                                     |                 | India                    | 52.63%                                 | 52.63%     | 52.63%     | Audited                          |
| 2              | PFC Consulting Ltd. (PFCCL)* (Refer Note 2.4.2)                 |                 | India                    | 100%                                   | 100%       | 100%       | Unaudited                        |
| 3              | Power Equity Capital Advisors (Private) Ltd. (Refer Note 2.4.3) |                 | India                    | 100%                                   | 100%       | 100%       | Audited                          |
| Joint Venture: |   |                 |                          |  |            |            |                                  |
| 1              | Energy Efficiency Services Ltd (EESL)                           | Company's share | India                    | 36.36% (Refer Note 2.4.5)              | 31.71%     | 31.71%     | Unaudited                        |
|                |   | through RECL    |                          | 21.70%                                 | 31.71%     | 31.71%     |                                  |
|                |   | Group's share   |                          | 58.06%                                 | 63.42%     | 63.42%     |                                  |
| Associates:    |   |                 |                          |  |            |            |                                  |
| 1              | Coastal Maharashtra Mega Power Limited                          |                 | India                    | 100%                                   | 100%       | 100%       | Audited                          |
| 2              | Orissa Integrated Power Limited                                 |                 | India                    | 100%                                   | 100%       | 100%       | Audited                          |
| 3              | Coastal Karnataka Power Limited                                 |                 | India                    | 100%                                   | 100%       | 100%       | Audited                          |
| 4              | Coastal Tamil Nadu Power Limited                                |                 | India                    | 100%                                   | 100%       | 100%       | Audited                          |
| 5              | Chhattisgarh Surguja Power Limited                              |                 | India                    | 100%                                   | 100%       | 100%       | Audited                          |
| 6              | Sakhigopal Integrated Power Company Limited                     |                 | India                    | 100%                                   | 100%       | 100%       | Audited                          |
| 7              | Ghogarpalli Integrated Power Company Limited                    |                 | India                    | 100%                                   | 100%       | 100%       | Audited                          |
| 8              | Tatiya Andhra Mega Power Limited                                |                 | India                    | 100%                                   | 100%       | 100%       | Audited                          |
| 9              | Deoghar Mega Power Limited                                      |                 | India                    | 100%                                   | 100%       | 100%       | Audited                          |
| 10             | Cheyyur Infra Limited   |                 | India                    | 100%                                   | 100%       | 100%       | Audited                          |
| 11             | Odisha Infrapower Limited                                       |                 | India                    | 100%                                   | 100%       | 100%       | Audited                          |
| 12             | Deoghar Infra Limited   |                 | India                    | 100%                                   | 100%       | 100%       | Audited                          |
| 13             | Bihar Infrapower Limited  |                 | India                    | 100%                                   | 100%       | 100%       | Audited                          |
| 14             | Bihar Mega Power Limited  |                 | India                    | 100%                                   | 100%       | 100%       | Audited                          |
| 15             | Jharkhand Infrapower Limited                                    |                 | India                    | 100%                                   | 100%       | 100%       | Audited                          |

\* Consolidated Financial Statements of these Companies have been used for consolidation.



- 2.4.1 During the year, the Company has acquired 52.63% shareholding held by the President of India (103,93,99,343 equity shares of face value ₹10/- per share) in REC Limited (RECL) at ₹139.5036 per share for a total cash consideration of ₹14,500.00 crore on 28.03.2019. By virtue of this investment, the Company has become the holding company of RECL.
- 2.4.2 Pursuant to the order of Ministry of Corporate Affairs approving amalgamation on 05.02.2019; PFC Capital Advisory Services Limited (PFCCAS) has been amalgamated with PFC Consulting Limited, wholly owned subsidiary of the Company w.e.f. the appointed date i.e. 01.04.2018. As contained in the order, the scheme of amalgamation has been accounted for as per Appendix C to Ind AS 103 'Business Combinations'.
- 2.4.3 Ministry of Power (MoP), GoI vide its letter dated 19.03.2019 has approved the dissolution/ striking off the name of Power Equity Capital Advisors (Private) Ltd., a wholly owned subsidiary of the Company, from the records of Registrar of Companies. Necessary steps are being taken up to give effect to the same.
- 2.4.4 Pursuant to the order of Ministry of Corporate Affairs dated 07.02.2019 approving amalgamation; PFC Green Energy Limited (PFCGEL), wholly owned subsidiary of the Company, has been amalgamated with the Company from the appointed date i.e. 01.04.2017. As contained in the order, the scheme of amalgamation has been accounted for as per Appendix C to Ind AS 103 'Business Combinations'.
- 2.4.5 The Company acquired 9,90,00,000 equity shares of Energy Efficiency Services Limited (EESL) for a consideration of ₹99 crore on 02.07.2018. Subsequent to this, the shareholding of the Company in EESL has increased from 31.71% to 36.36% as on 31.03.2019. The Company's subsidiary RECL holds 21.70% shareholding in EESL. The Group's effective ownership interest in EESL as on 31.03.2019 stands at 58.06%.
- 2.4.6 In terms of RBI circular, borrower companies in which the Company holds 20% or more of the equity share capital, acquired in satisfaction of its advance, are not required to be consolidated

### 3. Significant Accounting Policies

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

#### 3.1 Basis of Preparation and Measurement

These consolidated 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 Basis of Consolidation

The Consolidated Financial Statements incorporate the financial statements of the Company and its subsidiaries (collectively referred as "the Group"). The Group has investment in joint venture and associates which are accounted using equity method in these consolidated financial statements.

The financial statements of Subsidiaries, Joint Venture and Associates are drawn up to the same reporting date as of the Company for the purpose of Consolidation.

##### i) Subsidiaries:

A subsidiary is an entity over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which the Company obtains the control (except for Business Combinations under Common Control).

The Company combines the financial statements of its subsidiaries on a line by line basis, adding together like items of assets, liabilities, equity, income and expenses. The carrying amount of the Company's investment in each subsidiary and the Company's portion of equity of each subsidiary are



eliminated. Intercompany transactions, balances, unrealised gains on transactions between the Company and subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Non-controlling interests (NCI) represent the proportion of income, other comprehensive income and net assets in subsidiaries that is not attributable to the Company's shareholders. Non-controlling interests are initially measured at the proportionate share of the recognised amounts of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of the interest at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

The consolidated financial statements are prepared using uniform accounting policies consistently for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's standalone financial statements except as otherwise stated. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's Significant Accounting Policies.

If the Company loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary and any related NCI and other components of equity. Any interest retained in the former subsidiary is measured at fair value at the date the control is lost. Any resulting gain or loss is recognized in Statement of Profit and Loss.

#### ii) **Joint Venture and Associates:**

A Joint Venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

An Associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of Joint Venture or Associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment or a portion thereof, is classified as held for sale, in which case it is measured at lower of their carrying amount and fair value less cost to sell. Under the equity method, an investment in a Joint Venture or Associate is initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the Joint Venture or Associate. Distributions received from a joint venture/ associate reduce the carrying amount of the investment.

Upon loss of joint control over the Joint Venture or significant influence over the Associate, the Company measures and recognises any retained investment at its fair value. Any difference between a) the carrying amount of the Joint Venture or Associate upon loss of joint control or significant influence respectively and b) the fair value of the retained investment and proceeds from disposal is recognised in Statement of Profit and Loss.

### 3.3 **Cash and Cash Equivalents**

Cash comprises cash on hand and demand deposits. The Group 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.

### 3.4 **Derivative financial instruments**

**3.4.1** The Group 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.

**3.4.2** The Group 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.

- 3.4.3** 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.

## **3.5 Financial instruments**

Financial assets and financial liabilities are recognised when the Group 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), its transaction costs is recognised in Statement of Profit and Loss.

### **3.5.1 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 Group 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 Group at initial recognition makes an irrevocable election to classify it as either FVTOCI or FVTPL. The Group 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 Group transfers the same within equity.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognised in the Statement of Profit and Loss.

#### iii) **Impairment of financial assets**

- a) Subsequent to initial recognition, the Group recognises expected credit loss (ECL) on financial assets measured at amortised cost as required under Ind AS 109 'Financial Instruments'. ECL on such financial assets, other than loan assets, is measured at an amount equal to life time expected losses. The Group presents the ECL charge or reversal (where the net amount is a negative balance for a particular period) in the Statement of Profit and Loss as "Impairment on financial instruments".

The impairment requirements for the recognition and measurement of ECL are equally applied to Loan asset at FVTOCI except that ECL is recognised in Other Comprehensive Income and is not reduced from the carrying amount in the Balance Sheet.

- b) Impairment of Loan Assets and commitments under Letter of Comfort (LoC):

The Group measures ECL on loan assets at an amount equal to the lifetime ECL if there is credit impairment or there has been significant increase in credit risk (SICR) since initial recognition. If there is no SICR as compared to initial recognition, the Group measures ECL at an amount equal to 12-month ECL. When making the assessment of whether there has been a SICR since initial recognition, the Group considers reasonable and supportable information, that is available without undue cost or effort. If the Group measured loss allowance as lifetime ECL in the previous period, but determines in a subsequent period that there has been no SICR since initial recognition due to improvement in credit quality, the Group again measures the loss allowance based on 12-month ECL.

ECL is measured on individual basis for credit impaired loan assets, and on other loan assets it is generally measured on collective basis using homogenous groups.

The Group measures impairment on commitments under LoC on similar basis as in case of Loan assets.

- c) The impairment losses and reversals are recognised in Statement of Profit and Loss.
- d) In case of REC Ltd., financial assets are written off either partially or in their entirety only when the Company has stopped pursuing the recovery.

#### iv) **De-recognition of financial assets**

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received & receivable, and the cumulative gain or loss that had been recognised in Other Comprehensive Income and accumulated in Equity, is recognised in Statement of Profit and Loss if such gain or loss would have otherwise been recognised in Statement of Profit and Loss on disposal of that financial asset.

### 3.5.2 Financial liabilities

- i) All financial liabilities other than derivatives and financial guarantee contracts are subsequently measured at amortised cost using the effective interest rate (EIR) method.

EIR is determined at the initial recognition of the financial liability. EIR is subsequently updated for financial liabilities having floating interest rate, at the respective reset date, in accordance with the terms of the respective contract.

## ii) **Financial guarantee**

A financial guarantee issued by the Group is initially measured at fair value and, if not designated as at FVTPL, is subsequently measured at the higher of:

- the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in the Statement of Profit and Loss.

## iii) **De-recognition of financial liabilities**

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid & payable is recognised in Statement of Profit and Loss.

### 3.5.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Balance Sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

## 3.6 **Investment property**

Investment properties are the assets which have undetermined future use. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, the investment properties are stated at cost less accumulated depreciation. The cost comprises purchase price, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group beyond one year. All other repair and maintenance costs are recognized in the Statement of Profit and Loss as incurred.

### **Subsequent measurement (depreciation and useful lives)**

The Group only has land as an investment property, which is not depreciated.

### **De-recognition**

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in Statement of Profit and Loss in the period in which the property is derecognized.

## 3.7 **Property, Plant and Equipment (PPE) and Depreciation**

- i. Items of PPE are initially recognised at cost. Subsequent measurement is done at cost less accumulated depreciation and accumulated impairment losses, if any, except for freehold land which is not depreciated. An item of PPE retired from active use and held for disposal is stated at lower of its book value or net realizable value.
- ii. The expenditure incurred on improvement of leasehold premises is recognised at cost and is shown as "Leasehold Improvements" under PPE.
- iii. In case of assets put to use, capitalisation is done on the basis of bills approved or estimated value of work done as per contracts where final bill(s) is/are yet to be received / approved subject to necessary adjustment in the year of final settlement.
- iv. Cost of replacing part of an item of PPE is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. Maintenance or servicing costs of PPE are recognized in Statement of Profit and Loss as incurred.
- v. Under-construction PPE is carried at cost, less any recognised impairment loss. Such PPE items are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as of other assets, commences when the assets are ready for their intended use.

- vi. Depreciation is recognised so as to write-off the cost of assets less their residual values as per written down value method\*, over the estimated useful lives that are similar to as prescribed in Schedule II to the Companies Act, 2013, except following:

| Nature of PPE                         | Life of PPE  |
|---------------------------------------|--|
| Cell phones <sup>(1)</sup>            | 2 years  |
| Lease hold improvement <sup>(2)</sup> | Lease period or their useful lives whichever is shorter (in case of PFCCL) |

\* Depreciation is provided using Straight line method by REC Ltd.

<sup>(1)</sup> Useful life has been taken as 2 years by the Group

<sup>(2)</sup> Lease hold improvements are amortised on straight line basis

- vii. Depreciation on additions to/deductions from PPE during the year is charged on pro-rata basis from/up to the month in which the asset is available for use/disposed.
- viii. An item of PPE is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of an item of PPE is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Statement of Profit and Loss.
- ix. Items of PPE costing up to ₹ 5000/- each are fully depreciated, in the year of purchase.
- x. The cost of PPE under construction at the reporting date is disclosed as 'Capital work-in-progress.' The cost comprises purchase price, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price. Advances paid for the acquisition/ construction of PPE which are outstanding at the Balance Sheet date are classified under 'Capital Advances.'

### 3.8 Intangible assets and Amortisation

- i. Intangible assets with finite useful lives that are acquired separately are recognised at cost. Cost includes any directly attributable incidental expenses necessary to make the assets ready for its intended use. Subsequent measurement is done at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is recognised on a straight-line basis over their estimated useful lives.
- ii. Expenditure incurred which are eligible for capitalisation under intangible assets is carried as intangible assets under development till they are ready for their intended use.
- iii. Estimated useful life of intangible assets with finite useful lives has been estimated by the Group as 5 years. In case of PFCCL, life is estimated as 36 months.
- iv. An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in the Statement of Profit and Loss when the asset is derecognised.
- v. Expenditure incurred which are eligible for capitalization under intangible assets is carried as 'Intangible assets under development' till they are ready for their intended use.

### 3.9 Assets/ Disposal Groups held for sale

Assets are classified as held for sale if their carrying amount will have recovered principally through sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at lower of their carrying amount or fair value less cost to sell, except for assets such as deferred tax, assets arising from employee benefit, financials assets and contractual rights under insurance contracts, which are specifically exempted from this requirement.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Non-current assets held for sale are presented separately from other assets in the Balance Sheet.

Where the Group is committed to a sale plan involving loss of control of a Subsidiary, it classifies investment in the entity (i.e. all the assets and liabilities of that entity) as held for sale.

### 3.10 Provisions and Contingent Liabilities

- i. Provisions are recognised when the Group has a present legal or constructive obligation as a result of a



past event, if it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

- ii. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.
- iii. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.
- iv. Where it is not probable that an outflow of economic benefits will be required or the amount cannot be estimated reliably, the obligation is disclosed as contingent liability in notes to accounts, unless the probability of outflow of economic benefits is remote.

### 3.11 Recognition of Income and Expenditure

- i. Interest income on financial assets subsequently measured at amortized cost, is recognized using the Effective Interest Rate (EIR) method. The Effective Interest Rate (EIR) is the rate that exactly discounts estimated future cash receipts through expected life of the financial asset to that asset's net carrying amount on initial recognition.
- ii. Interest on financial assets subsequently measured at fair value through profit and loss, is recognized on accrual basis in accordance with the terms of the respective contract.
- iii. Rebate on account of timely payment of interest by borrowers is recognized on receipt of entire interest amount due in time, in accordance with the terms of the respective contract and is netted against the corresponding interest income.
- iv. Income from services rendered is recognized based on the terms of agreements / arrangements with reference to the stage of completion of contract at the reporting date.
- v. Revenue from consulting services, in connection with development of Independent Transmission Projects (ITP) and Ultra Mega Power Projects (UMPP) taken up as per the directions from the Ministry of Power, Government of India, is recognized on completed contract method basis i.e. when the ITP /UMPP created for the project is transferred to a successful bidder evidenced by share purchase agreement. The expenses incurred on development of these projects which are not recovered as direct costs are recovered through billing at agreed charge out rates decided by the management.
- vi. The sale proceeds from Request for qualification (RfQ) documents for Independent Transmission Projects (ITPs) and Ultra Mega Power Project (UMPPs) are accounted for when received.
- vii. Income from short /medium term bidding of power and Coal Flexibility Scheme is recognised when letter of award (LOA) is issued to the successful bidder.
- viii. Dividend income from investments is recognized in Statement of Profit and Loss when the Group's right to receive dividend is established, which in the case of quoted securities is the ex-dividend date.
- ix. Interest expense on borrowings subsequently measured at amortized cost is recognized using Effective Interest Rate (EIR) method.
- x. Other income and expenses are accounted on accrual basis, in accordance with terms of the respective contract.
- xi. A Prepaid expense up to ₹1,00,000/- is recognized as expense upon initial recognition.

### 3.12 Expenditure on issue of shares

Expenditure on issue of shares is charged to the securities premium account.

### 3.13 Borrowing costs

Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds. Borrowing costs that are directly attributable to the acquisition and/ or construction of a qualifying asset, till the time such a qualifying asset becomes ready for its intended use sale, are capitalized. A qualifying asset is one that necessarily takes a substantial period to get ready for its intended use.

All other borrowing costs are charged to the Statement of Profit and Loss on an accrual basis as per the effective interest rate method.

### 3.14 Employee benefits

#### i. Defined Contribution Plan

Group's contribution paid / payable during the reporting period towards provident fund and pension are charged in the Statement of Profit and Loss when employees have rendered service entitling them to the contributions.

#### ii. Defined Benefit Plan

The Group's obligation towards gratuity to employees and post-retirement benefits such as medical benefit, economic rehabilitation benefit, and settlement allowance after retirement are determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Actuarial gain / loss on re-measurement of gratuity and other post-employment defined benefit plans is recognized in Other Comprehensive Income (OCI). Past service cost is recognized in the Statement of Profit and Loss in the period of a plan amendment.

#### iii. Other long term employee benefits

The Group's obligation towards leave encashment, service award scheme is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. These obligations are recognised in the Statement of Profit and Loss.

#### iv. Short term employee benefits

Short term employee benefits such as salaries and wages are recognised in the Statement of Profit and Loss, in the period in which the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

#### v. Loan to employees at concessional rate

Loans given to employees at concessional rate are initially recognized at fair value and subsequently measured at amortised cost. The difference between the initial fair value of such loans and transaction value is recognised as deferred employee cost upon issuance of Loan, which is amortised on a straight-line basis over the expected remaining period of the Loan. In case of change in expected remaining period of the Loan, the unamortised deferred employee cost on the date of change is amortised over the updated expected remaining period of the Loan on a prospective basis.

### 3.15 Income Taxes

Income Tax expense comprises of current and deferred tax. It is recognised in Consolidated Statement of Profit and Loss, except when it relates to an item that is recognised in OCI or directly in equity, in which case, tax is also recognised in OCI or directly in equity.

#### i. **Current Tax**

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted and as applicable at the reporting date, and any adjustments to tax payable in respect of Previous Years.

Current tax assets and liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and liability on a net basis.

#### ii. **Deferred Tax**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable income. Deferred tax is measured at the tax rates based on the laws that have been enacted or substantively enacted by the reporting date, based on the expected manner of realisation or settlement of the carrying amount of assets / liabilities. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against liabilities, and they relate to income taxes levied by the same tax authority.

A deferred tax liability is recognised for all taxable temporary differences. A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the deductible temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.



- iii. Additional Income Tax that arises from distribution of dividend is recognized at the same time when the liability to pay dividend is recognized.

### 3.16 Leasing

- i. Amount due from lessee under finance leases is recognised as receivable at an amount equal to the net investment of the Group in the lease. Finance income on the lease is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of lease at the reporting date.
- ii. Payments and receipts under operating leases are recognised as expense and income respectively, on straight-line basis over the term of the lease.
- iii. Land under non-perpetual lease is treated as an operating lease. Lease premium paid initially is amortised on a straight-line basis over the term of the lease.

### 3.17 Foreign Currency Transactions and Translations

The functional currency of the Group is Indian Rupees. Foreign currency transactions are translated into the functional currency using exchange rates at the date of the transaction.

At the end of each reporting period, monetary items denominated in foreign currency are translated using exchange rates prevailing on the last day of the reporting period. Exchange differences on monetary items are recognised in the Statement of Profit and Loss in the period in which they arise. However, for the long-term monetary items recognised in the financial statements before 1 April 2018, such exchange differences are accumulated in a "Foreign Currency Monetary Item Translation Difference Account" and amortized over the balance period of such long term monetary item.

### 3.18 Business Combination under Common Control

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination and that control is not transitory.

Business combinations involving entities or businesses under common control are accounted for using the pooling of interest method as follows:

- The assets and liabilities of the combining entities are reflected at their carrying amounts.
- No adjustments are made to reflect fair values, or recognize new assets or liabilities. Adjustments are made only to harmonize significant accounting policies.
- The financial information in the consolidated financial statements in respect of prior periods is restated as if the business combination has occurred from the beginning of the preceding period in the financial statements, irrespective of the actual date of the combination.

The balance of the retained earnings appearing in the consolidated financial statements of the transferor is aggregated with the corresponding balance appearing in the financial statements of the transferee. The identity of the reserves is preserved and the reserves of the transferor become the reserves of the transferee.

The difference, if any, between the amounts recorded as share capital issued plus any additional consideration in the form of cash or other assets and the amount of share capital of the transferor is transferred to capital reserve and is presented separately from other capital reserves.

### 3.19 Material prior period errors

Material prior period errors are corrected retrospectively by restating the comparative amounts for the prior periods presented in which the error occurred. If the error occurred before the earliest period presented, the opening balances of assets, liabilities and equity for the earliest period presented, are restated.

### 3.20 Dividends

Final dividends are recorded as a liability on the date of approval by the shareholders and interim dividends are recorded as a liability on the date of declaration by the Board of Directors of the Group.

### 3.21 Earnings per share

Basic earnings per equity share is calculated by dividing the net profit or loss attributable to equity shareholders of the Group by the weighted average number of equity shares outstanding during the financial year.

To calculate diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

#### 4. First-time adoption – mandatory exceptions and optional exemptions

The Consolidated Financial Statements have been prepared in accordance the Ind AS applicable as at 31.03.2019. These accounting and measurement principles have been applied retrospectively to the date of transition to Ind AS and for all periods presented.

However for certain cases, Ind AS 101 provides for mandatory exceptions and optional exemptions to the general principles of retrospective application of Ind AS. The Group has made use of the following exceptions and exemptions in preparing its Ind AS opening Consolidated Balance Sheet:

##### 4.1 Mandatory Exceptions

###### (i) Classification & Measurement of Financial Assets

The Group has determined the classification of financial assets in terms of whether they meet the amortized cost criteria or fair value criteria based on the facts and circumstances that existed as on the transition date.

###### (ii) Impairment of financial assets

The Group has applied the impairment requirements of Ind AS 109. As permitted by Ind AS 101, it has used reasonable and supportable information that is available without undue cost or effort, in order to determine the impairment loss allowance as at transition date.

###### (iii) De-recognition of financial assets and liabilities

The Group has applied the de-recognition requirements of financial assets and financial liabilities prospectively for transactions occurring on or after 01.04.2017 (the transition date).

###### (iv) Estimates

Ind AS estimates as at 01.04.2017 are consistent with the estimates as at the same date made in conformity with Previous GAAP (after adjustments to reflect any difference in accounting policies. The Group made estimates for impairment of financial assets based on expected credit loss model in accordance with Ind AS at the date of transition as these were not required under Previous GAAP.

##### 4.2 Optional exemptions

###### (i) Equity investments at FVTOCI

The Group has elected to apply the exemption of designating investment in equity shares (other than investment in subsidiaries, joint ventures and associates) and units of 'Small is Beautiful Fund' at FVTOCI on the basis of facts and circumstances that existed at the transition date.

###### (ii) Amortisation of Exchange Differences on Existing Long Term Foreign Currency Monetary Items (LTFCMI)

The companies in the Group have availed the exemption to continue the policy as per the previous GAAP with respect to amortization of the exchange differences arising from translation of long-term foreign currency monetary items recognised in their consolidated financial statements up to 31.03.2018.

###### (iii) Past business combination

The Group has elected not to apply Ind AS 103 'Business Combinations' retrospectively on past business combinations that occurred before the transition date.

###### (iv) Investments in subsidiaries, joint ventures and associates

The Group has availed the exemption to continue with the carrying value of all its investments in joint ventures and associates as per previous GAAP as their deemed cost as at the transition date.

##### **In respect of the Company's subsidiary companies, RECL and PFCCL:**

###### (v) Deemed cost for property, plant and equipment, investment property and intangible assets

Ind AS 101 permits a first time adopter to elect to continue with the carrying value for all of its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind AS, measured as per the Previous GAAP and use that as its deemed cost as at the date of transition after making necessary adjustments for de-commissioning liabilities. Accordingly, RECL and PFCCL have elected to measure all of its property, plant and equipment at their Previous GAAP carrying value. RECL has also applied this exemption for intangible assets covered by Ind AS 38 'Intangible Assets' and investment property covered by Ind AS 40 'Investment Property'.

## 5. Use of Estimates and Management Judgement

In preparation of the consolidated financial statements, the Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities including contingent liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience & other relevant factors and are reviewed on an ongoing basis. Actual results may differ from these estimates.

Changes in accounting estimates, if any, are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if it affects both current and future periods.

In order to enhance understanding of the consolidated financial statements, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements, are as under:

### (i) Impairment test of Financial Assets (Expected Credit Loss)

The measurement of impairment loss allowance for financial asset measured at amortised cost requires use of statistical models, significant assumptions about future economic conditions and credit behaviour (e.g. likelihood of borrowers defaulting and resulting losses).

In estimating the cash flows expected to be recovered from credit impaired loans, the Group makes judgements about the borrower's financial situation, current status of the project, net realisable value of securities/ collateral etc. As these estimates are based on various assumptions, actual results may vary leading to changes to the impairment loss allowance.

Further, judgement is also made in identifying the default and significant increase in credit risk (SICR) on financial assets as well as for homogeneous Grouping of similar financial assets. Impairment assessment also takes into account the data from the loan portfolio, levels of arrears and an analysis of historical defaults.

Refer Note 40.2.1 below for further details.

### (ii) Non recognition of income on Credit Impaired Loans

As a matter of prudence, income on credit impaired loans is recognised as and when received and on accrual basis either on resolutions of stressed assets or when expected realization is higher than the loan amount outstanding.

### (iii) Fair value measurement

Fair value of financial instruments is required to be estimated for financial reporting purposes. The Group applies appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of an asset or a liability, the Group uses quoted prices and market-observable data to the extent it is available. In case of non-availability of the same, unobservable inputs are used for calculation of fair value of the assets/ liabilities. The information about the valuation techniques and inputs used in determination of fair value of various assets and liabilities is disclosed at Note 40.4 below.

### (iv) Income Taxes

Estimates are involved in determining the provision for income taxes, including amount expected to be paid / recovered for uncertain tax positions. Judgements are made in respect of expected future profitability to assess deferred tax asset.

### (v) Deferred tax Liability on Special reserve

The Company and its subsidiary RECL have obtained resolution from their respective Board of Directors that there is no intention to make withdrawal from the Special Reserve created and maintained under section 36(1)(viii) of the Income tax Act, 1961 and the same is not capable of being reversed. Accordingly, no deferred tax liability has been created on the said reserve.

### (vi) Deferred tax liability / deferred tax asset in respect of undistributed profits/losses of subsidiaries, branches, investments in associates and joint ventures

Judgement is required in accounting for deferred tax liability / deferred tax asset in respect of Group's investments in respect of undistributed profits/losses of subsidiaries, investments in associates and joint ventures. In respect of undistributed profits/losses of subsidiaries, investments in joint ventures, the Company is able to control the timing of the reversal of the temporary differences and the temporary differences will not be reversed in the foreseeable future. Accordingly, the Group does not recognise a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, and interests in joint ventures.



(vii) Classification of Investments

In order to classify an investment in a company as investment in subsidiary or joint venture (JV) or associate, judgement is required to assess the level of control depending upon the facts and circumstances of each case.

- a) Energy Efficiency Services Limited (EESL) was incorporated in 2009 as a Joint Venture (JV) of NTPC Ltd, PowerGrid Corporation of India Ltd, RECL and the Company. Consequent upon acquisition of controlling stake in REC Limited (RECL) on 28.03.2019, the Company along with RECL is holding 58.06% stake in equity share capital of EESL (36.36% directly and 21.70% through its subsidiary RECL) and it has been classified as subsidiary for the purpose of Companies Act 2013.

In line with the JV agreement of EESL, all the joint venture partners have identical rights and privileges including without limitation, dividend, voting rights etc., thereby providing substantive participative rights through their right to affirmative vote on certain reserved matters. Hence, all the JV partners have joint control over EESL.

In view of above, EESL has been consolidated as per equity method. However, the matter has been referred to Expert Advisory Committee of The Institute of Chartered Accountants of India for their opinion on the treatment of consolidation either line by line or by equity method.

- b) Ultra-Mega Power Projects (UMPPs), RECL's transmission projects (SPV) and PFCCL's ITPs are managed as per the mandate from Government of India (GoI) and the Group does not have the practical ability to direct their relevant activities unilaterally. The Group therefore, considers its investment in respective UMPPs, ITPs and SPVs as associates having significant influence despite the Company holding 100% of their paid-up equity share capital.

(viii) Defined benefit obligation (DBO)

The Group's estimate of the DBO is based on a number of underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.

(ix) Useful life of Property, Plant & Equipment (PPE) and Intangible Assets

The Management reviews its estimate of the useful lives of depreciable/amortisable assets at the end of each financial year, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and economic obsolescence that may change the utility of assets.

## 6 Cash and Cash Equivalents

(₹ in crore)

| Sr. No. | Particulars  | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---------|--|------------------|------------------|------------------|
| (i)     | Balances with Banks (of the nature of cash and cash equivalents) |                  |                  |                  |
|         | - In Current Accounts  | 369.41           | 211.31           | 917.78           |
|         | - In Term Deposit Accounts                                       | 355.61           | 613.72           | 2,467.21         |
| (ii)    | Cash, Cheques, Drafts on hand including postage & Imprest        | 0.01             | 0.01             | –                |
| (iii)   | Investment in Debt Mutual Funds                                  | –                | –                | 1,160.00         |
|         | <b>Total</b>   | <b>725.03</b>    | <b>825.04</b>    | <b>4,544.99</b>  |

6.1 There are no repatriation restrictions with respect to Cash and Cash equivalents as at the end of the reporting periods presented above.

## 7 Bank Balance other than included in Cash and Cash Equivalents

(₹ in crore)

| Sr. No. | Particulars   | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---------|---|------------------|------------------|------------------|
| (i)     | Earmarked Balances and Term Deposits with Banks                         |                  |                  |                  |
|         | - Term Deposits (Refer Note 7.1)  | 13,833.64        | –                | 3,071.88         |
|         | - Unpaid Dividend   | 7.31             | 6.12             | 450.22           |
|         | - Unpaid - Bonds / Interest on Bonds etc.                               | 9.73             | 8.41             | 10.93            |
|         | - Amount received under IPDS / R-APDRP scheme                           | –                | 4.45             | –                |
|         | - Grants  | 990.46           | 470.49           | 29.70            |
| (ii)    | Deposit in compliance of Court  | 2.47             | 2.31             | 1.98             |
| (iii)   | Balance with Bank not available for use pending allotment of securities | 722.04           | 1,469.23         | –                |
| (iv)    | Term Deposits with Banks- More than 3 months but less than 12 months    | 26.80            | 61.94            | 80.79            |
| (v)     | Other Term Deposits   | 13.96            | 1.32             | 38.55            |
|         | <b>Total</b>  | <b>15,606.41</b> | <b>2,024.27</b>  | <b>3,684.05</b>  |

7.1 The Company has taken Loan against these Term Deposits shown under Note 21.

## 8 Derivative Financial Instruments

The Company and its Subsidiary REC Ltd., enters into derivatives for Currency and Interest Rate risk. Derivatives include hedges that either meet the hedge accounting requirements or hedges that are economic hedges. Derivative transactions include forwards, interest rate swaps, cross currency swaps, currency, cross currency options etc. to hedge the liabilities. These derivative transactions are done for hedging purpose and not for trading or speculative purpose. However Group's Subsidiary REC Ltd. has elected not to apply hedge accounting.

Refer Note 40.2.3 for Risk Management Disclosures in respect of derivatives

### Part - I

(₹ in crore)

| Sr. No. | Particulars                                       | As at 31.03.2019 |                   |                        | As at 31.03.2018 |                   |                        | As at 01.04.2017 |                   |                        |
|---------|---|------------------|-------------------|------------------------|------------------|-------------------|------------------------|------------------|-------------------|------------------------|
|         |   | Notional Amount  | Fair value Assets | Fair value Liabilities | Notional Amount  | Fair value Assets | Fair value Liabilities | Notional Amount  | Fair value Assets | Fair value Liabilities |
| (i)     | <b>Currency Derivatives:</b>                      |                  |                   |                        |                  |                   |                        |                  |                   |                        |
|         | - Spot and Forwards                               | 15,808.90        | 295.95            | 345.72                 | 7,448.60         | 2.42              | 225.85                 | 2,107.63         | -                 | 68.41                  |
|         | - Currency Swaps                                  | 5,701.69         | 419.05            | 0.41                   | 6,584.19         | 173.50            | 71.50                  | 13,100.71        | 202.64            | 163.19                 |
|         | - Options   | 20,912.19        | 1,301.36          | 18.57                  | 11,152.01        | 324.35            | 161.17                 | 6,029.99         | 168.11            | 126.05                 |
|         | <b>Total Currency Derivatives:</b>                | <b>42,422.78</b> | <b>2,016.36</b>   | <b>364.70</b>          | <b>25,184.80</b> | <b>500.27</b>     | <b>458.52</b>          | <b>21,238.33</b> | <b>370.75</b>     | <b>357.65</b>          |
| (ii)    | <b>Interest Rate Derivatives</b>                  |                  |                   |                        |                  |                   |                        |                  |                   |                        |
|         | - Forward Rate Agreements and Interest Rate Swaps | 39,864.98        | 354.20            | 300.29                 | 41,287.68        | 419.20            | 99.91                  | 29,902.95        | 557.19            | 65.22                  |
|         | <b>Total Interest Rate Derivatives</b>            | <b>39,864.98</b> | <b>354.20</b>     | <b>300.29</b>          | <b>41,287.68</b> | <b>419.20</b>     | <b>99.91</b>           | <b>29,902.95</b> | <b>557.19</b>     | <b>65.22</b>           |
|         | <b>Total Derivative Financial Instruments</b>     | <b>82,287.76</b> | <b>2,370.56</b>   | <b>664.99</b>          | <b>66,472.48</b> | <b>919.47</b>     | <b>558.43</b>          | <b>51,141.28</b> | <b>927.94</b>     | <b>422.87</b>          |

### Part - II

|     |   |                  |                 |               |                  |               |               |                  |               |               |
|-----|---|------------------|-----------------|---------------|------------------|---------------|---------------|------------------|---------------|---------------|
| A   | Included in above (Part I) are Derivatives held for hedging and risk management purposes as follows:<br>Cash Flow Hedging : |                  |                 |               |                  |               |               |                  |               |               |
| (i) | - Currency Derivatives  | 1,728.88         | -               | 100.03        | -                | -             | -             | -                | -             | -             |
|     | - Interest Rate Derivatives   | 1,728.88         | -               | 64.84         | -                | -             | -             | -                | -             | -             |
|     | <b>Total Hedged Derivative Financial Instruments</b>  | <b>3,457.76</b>  | <b>-</b>        | <b>164.87</b> | <b>-</b>         | <b>-</b>      | <b>-</b>      | <b>-</b>         | <b>-</b>      | <b>-</b>      |
| (B) | Undesignated Derivatives  | 78,830.00        | 2,370.56        | 500.12        | 66,472.48        | 919.47        | 558.43        | 51,141.28        | 927.94        | 422.87        |
|     | <b>Total Derivative Financial Instruments</b>   | <b>82,287.76</b> | <b>2,370.56</b> | <b>664.99</b> | <b>66,472.48</b> | <b>919.47</b> | <b>558.43</b> | <b>51,141.28</b> | <b>927.94</b> | <b>422.87</b> |

### 8.1 Details of Forward Rate Agreements / Interest Rate Swaps:

(₹ in crore)

| Sr. No. | Description  | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---------|--|------------------|------------------|------------------|
| (i)     | Notional principal of swap agreements  | 39,864.98        | 41,287.68        | 29,902.95        |
| (ii)    | Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements | 354.20           | 419.20           | 557.19           |
| (iii)   | Collateral required by NBFC upon entering into swaps   | –                | –                | –                |
| (iv)    | Concentration of credit risk arising from swaps  | –                | –                | –                |
| (v)     | Fair value of swap book (obtained from counterparty banks)   | 53.90            | 319.29           | 491.97           |

The Group has entered into swap agreements with Category-I Authorized Dealer Banks only, in accordance with the RBI guidelines.

8.2 The Group does not hold any exchange traded derivatives as at 31.03.2019 (as at 31.03.2018 Nil, as at 01.04.2017 Nil).

### 8.3 Quantitative Disclosures on Risk Exposure in Derivatives:

(₹ in crore)

| Sr. No. | Particulars                             | As at 31.03.2019     |                           | As at 31.03.2018     |                           | As at 01.04.2017     |                           |
|---------|---|----------------------|---------------------------|----------------------|---------------------------|----------------------|---------------------------|
|         |   | Currency Derivatives | Interest Rate Derivatives | Currency Derivatives | Interest Rate Derivatives | Currency Derivatives | Interest Rate Derivatives |
| (i)     | Derivatives (Notional Principal Amount) |                      |                           |                      |                           |                      |                           |
|         | For hedging <sup>(1)</sup>              | 42,422.78            | 39,864.98                 | 25,184.80            | 41,287.68                 | 21,238.33            | 29,902.95                 |
| (ii)    | Marked to Market Positions (MTM)        |                      |                           |                      |                           |                      |                           |
|         | a) Asset (+MTM)                         | 2,016.36             | 354.20                    | 500.27               | 419.20                    | 370.75               | 557.19                    |
|         | b) Liability (-MTM)                     | 364.70               | 300.29                    | 458.52               | 99.91                     | 357.65               | 65.22                     |
| (iii)   | Credit Exposure                         | 24,366.46            | 21,436.70                 | 15,455.07            | 27,506.20                 | 19,130.70            | 23,089.85                 |
| (iv)    | Unhedged Exposures <sup>(2)</sup>       | 22,017.13            | 5,907.41                  | 20,584.62            | 7,391.86                  | 9,266.33             | 6,296.24                  |

<sup>(1)</sup> Interest rate derivatives include derivatives on Rupee liabilities of ₹ 5,634.60 crore as at 31.03.2019 (As at 31.03.2018 ₹ 5,634.60 crore & as at 01.04.2017 ₹ 6,164.60 crore)

<sup>(2)</sup> Includes JPY loan liability partly hedged through forward rate contract entered for one leg (USD/INR) for ₹ 587.82 crore as at 31.03.2019 (As at 31.03.2018 covering USD / INR ₹ 293.29 crore & as at 01.04.2017 covering USD / JPY ₹ 291.83 crore).

8.4 Refer Note 40.2 for Currency and Interest Rate Risk Management.

## 9. Trade Receivables

(₹ in crore)

| Sr. No. | Particulars  | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---------|--|------------------|------------------|------------------|
| (i)     | <b>Trade Receivables</b>                                 |                  |                  |                  |
|         | - considered good - Unsecured (Gross)                    | 182.96           | 157.94           | 146.85           |
|         | Less: Impairment loss allowance                          | (12.51)          | (12.19)          | (12.67)          |
|         | - which have Significant Increase in Credit Risk (Gross) | 3.37             | 0.04             | 3.07             |
|         | Less: Impairment loss allowance                          | (1.69)           | (0.02)           | (1.54)           |
|         | - Credit Impaired (Gross)                                | 28.16            | 29.23            | 28.21            |
|         | Less: Impairment loss allowance on Credit Impaired       | (28.16)          | (29.23)          | (28.21)          |
|         | <b>Total Trade Receivables</b>                           | <b>172.13</b>    | <b>145.77</b>    | <b>135.71</b>    |